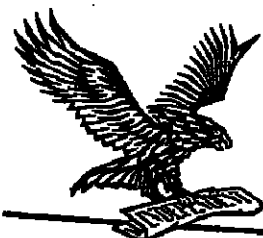


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What happened when the flag came down



Bright flight: Five of the World Images commissioned by British Airways as part of its new £60m corporate identity adorn the tails of Boeing 747-400s. The images are from the Kalahari, the US, Scotland, Poland and Japan. Report, page 3. Photograph: PA

Hague is set to snatch the Tory crown

Anthony Bevins
Political Editor

William Hague looked set to snatch the Conservative leadership crown last night, after Kenneth Clarke fell short of a 50-vote target set by close supporters for the first-round ballot.

The 36-year-old former secretary of state for Wales could now attract votes from left and right, as the only candidate with the handwagon potential to unite the party.

In yesterday's leadership bout, John Redwood – another former secretary of state for Wales – stunned colleagues by getting more votes than either of the other right-wing candidates, Peter Lilley and Michael Howard.

Barring surprises, it now looks as though Mr Clarke, Mr Hague and Mr Redwood will go through to next Tuesday's second-round ballot of the party's 164 MPs. Within minutes of the result being announced in a Commons corridor, Mr Redwood paged his campaign team with the message: "We're going all the way, JR."

Mr Clarke came top of the first-round ballot, with 49 votes, but he was only a handful of votes ahead of Mr Hague, on 41. Mr Redwood came third, with 27, followed by Mr Lilley on 24, and Mr Howard on 23.

The combined total of 74 votes for the three right-wingers is not enough to secure victory for Mr Redwood, who requires at least 83 votes next Tuesday.

In an appeal for Mr Howard and Mr Lilley to stand down, and unite behind him for the next round, Mr Redwood told BBC Radio 4's *PM* programme: "Both Michael and Peter or their camps indicated that they thought the fourth and fifth-placed candidate should drop out and support the third-placed candidate."

But it is entirely possible that MPs



Kenneth Clarke: Disappointment

from the Lilley and Howard camps will now begin to peel off in search of a winner – Mr Hague.

There were Tory fears last night that some right-wing MPs could make a tactical switch to Mr Clarke, in the hope of keeping division, and the leadership question, alive. Other MPs believe that if Mr Clarke is not elected, there is no place for them in the party, and they could resign the party whip.

Last night, however, there was everything for Mr Hague, Mr Clarke and Mr Redwood to fight for.

Mr Hague said he had been pleased by his vote. "It gives me a very good position to campaign for the second ballot on a platform to unite the party and give the party a fresh start," he said.

Having topped an opinion poll, and a ballot of constituency party officers announced in advance of yesterday's vote, Mr Clarke said: "I have today topped the poll in every test of Conservative opinion. I am very encouraged by the breadth of the support I have attracted, which is much stronger than I dared to expect when this campaign started."

The Conservative Party should now unite to fight Labour. I intend to seek to broaden my appeal further by setting out how I intend to lead this party on an inclusive basis. The leadership of the party must attract and draw on the talents of every strand of opinion within the Conservative tradition.

Mr Redwood said: "I am very pleased and I would like to thank all those who supported me even when the press wrote me off and down and out. Now we are going to have a bandwagon. Now we are going to win." He added that he would be "very generous" to Mr Lilley and Mr Howard. "I want them to be on side. I want as many supporters as possible."

The former deputy chairman of the party, Lord Archer, who had been backing Mr Lilley, said: "I believe that both Peter Lilley and Michael Howard will make their own decisions as to what they will do but neither of them can win."

That view had earlier been underscored by the result of an advisory ballot of constituency party officers, which gave Mr Clarke 322 votes, Mr Hague 188, Mr Redwood 25, Mr Lilley 22, and Mr Howard just 10. But it was noticeable that while Mr Clarke won a majority of the constituency votes cast, Mr Hague still got about a third.

Remarkably, only 61 per cent of Tory peers bothered to vote at all, but Mr Clarke got 177 of their votes to 45 for Mr Hague, 37 for Mr Lilley, 13 for Mr Redwood, and 10 for Mr Howard. All 17 Members of the European Parliament backed the former chancellor.

The Commons was last night rife with rumours of backstairs deals and offers. Mr Redwood said of Mr Howard and Mr Lilley: "If Michael and Peter would like jobs in the shadow cabinet that I wish to form, yes, of course they can have jobs."

Further report, page 10
Leading article, page 19

Inquiry launched into public health

EXCLUSIVE by Jeremy Laurance, Health Editor

An inquiry into why poor people die sooner than the rich is to be launched by the Government as part of a drive to highlight the impact of social issues on health.

Ministers have been shocked by evidence showing that although the overall health of the nation is improving, the gap in death rates between rich and poor has widened. They have asked Sir Donald Acheson, former government chief medical officer, to produce an updated version of the Black report, setting out the scientific case on which policies to tackle health inequalities might be based.

The original Black report, commissioned by the last Labour government from consultant physician Sir Douglas Black and published in 1980, controversially linked deprivation with ill health and made a series of costly recommendations for alleviating poverty, improving housing and targeting NHS resources at the most needy.

In spite of efforts by the Conservative government to bury it, it has continued to provoke fierce debate since it was published.

On Monday Sir Donald met Frank Dobson, the health secretary, Tessa Jowell, the minister for public health, and Sir Kenneth Calman, chief medical officer, to discuss terms of the review, expected by Christmas. Final details are still to be worked out and an announcement is not expected until next month.

Revival of the Black report is an ambitious venture fraught with political

risk. Tackling health inequalities will require the co-operation of all government departments and could incur high costs. Ministers are anxious to limit the review to proposals that have a realistic chance of being implemented. The original Black report's recommendations were costed at £2bn at 1979 prices, equivalent to £5.4bn today.

Ministers have accepted that there is limited scope for change in the NHS and that abolishing the internal market will take years rather than months. The arena of public health is seen as the most fertile ground for innovation for the kind that the public has come to expect of the new Government.

Tessa Jowell said yesterday: "Tackling inequalities is what the health department should be about. We have asked Sir Donald to give us a very clear steer on the basis of the scientific evidence about where we can take effective action to improve people's health. We will then decide what measures to take."

She said the initiative was "not about empty rhetoric or developing wish lists" and would form a central part of the Government's strategy on public health which will be formally launched at a health department conference on 7 July. "We are not going to raise expectations that we cannot fulfil. We would rather under-promise than over-deliver."

The reason public health had been marginalised in the past was because the agenda seemed so vast and the

inequalities so pervasive that the prospect of doing anything overwhelmed the government. "We want to identify key measures across government departments that we can act on," she said.

The original Black report highlighted the fact that the death rate in infancy was twice as high among social class V as social class I and that similar differences persisted through life. In 1994, research published in the *British Medical Journal* showed that death rates in the poorest parts of northern England were rising for men aged 15 to 44 for the first time since the 1930s.

Experts welcomed the review of the Black report but warned that action to remedy the problem was needed, not a new diagnosis of the causes.

Ken Judge, director of the Kings Fund Health Policy Institute, said: "What we don't want is another description of the problem. We need a careful analysis of the causes and an evaluation of policy options. My worry is that Sir Donald may pay more attention to the causes than the options."

Julian Le Grand, professor of health policy at the London School of Economics, said: "The real question is how much muscle the initiative will have behind it. Without a budget, it looks as if Tessa Jowell as the new minister of public health will have to rely on persuasion."

However, after 18 years in which the focus has been on organisational issues in the NHS, the switch to a focus on health rather than health care would be welcome.

What the doctor ordered, page 20

Yachtsmen spot pirate whaling

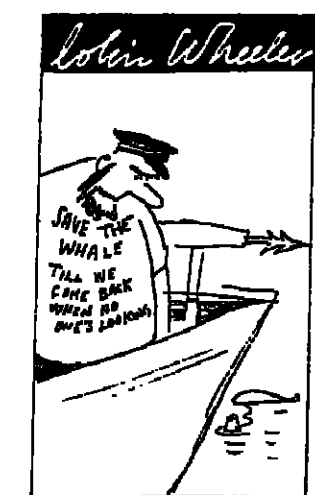
Nicholas Schoon
Environment Correspondent

Yachtsmen crossing the Atlantic have found evidence which suggests a pirate whaling operation is underway, in defiance of the 10-year-old international moratorium on slaughtering the marine mammals.

There have been reports of whale carcasses attached to buoys and of others floating with what appear to be harpoons sticking out of them.

Brad de Lange, Australian skipper of the yacht *Globina*, told *The Independent* yesterday that he saw a pod of whales surrounding a yellow buoy on 31 May – one day's sailing from San Miguel Island in the Azores.

As his boat neared the group, all but one submerged and swam away. The breathing of the remaining whale was much quicker than the others, and it appeared to be attached to the buoy.



Initially baffled by what they had seen, the yacht's crew later concluded the whale had been left wounded and tethered to be picked up later. "What annoyed us is that it was such a horrible death for the thing," said Mr de Lange. "We hope whoever is behind it is found and stopped."

Herb Hilgenberg, a radio ham in Burlington, Ontario, heard from five yachts last month which reported floating whale carcasses in mid-Atlantic waters south west of the Azores. The first of these reports, on 12 May, said the whale was attached to a lit buoy.

Mr Hilgenberg, who gives transatlantic yachtsmen safety advice on winds and weather forecasts, said the yachts were sufficiently far apart to be sure that they were reporting several carcasses and not just one.

Jeff King, English skipper of the yacht *Tuesday Girl* said: "I've been hearing reports by radio from other yachts of whales floating around dead with poles in them. We saw a decomposing carcass ourselves, covered in seabirds."

The reports were relayed to the Whale and Dolphin Conservation Society, a small campaigning group based in Bath, by Bill Herbert, who runs a boat from the Azores which takes tourists to watch live whales and dolphins. The society believes the explanation for the sightings is a large, well planned pirate-whaling operation – but it has no idea where it is operating from.

The International Whaling Commission has no policing and enforcement powers. The pirate whalers could only be legally tackled once they came into port, providing the country they landed at had the necessary legislation in place – and most don't.

our client
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Computers



QUICKLY

Girl of 12 released
A 12-year-old girl who has been held on remand at a jail on the Isle of Man for the past seven days was released into the care of a children's home last night. Page 7

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news

significant shorts

Prescott leads 'green' Cabinet committee

John Prescott, the Deputy Prime Minister, will today chair his first meeting of a beefed-up "green" Cabinet committee with a broad remit to cover sustainable development, Tony Blair told leaders of green pressure groups yesterday.

The Government will also go ahead with a manifesto commitment to set up a parliamentary environmental audit committee with MPs from all parties, able to question ministers and officials from all government departments about policy and performance.

In the meantime, Greenpeace, the environmental pressure group, announced it would seek a judicial review hearing against the Government if it did not halt a new round of oil exploration and development in the North Sea and Atlantic. It believes that in allowing the oil companies to go ahead, the Government is in breach of two European Union directives protecting the environment and wildlife habitats.

Nicholas Schoon
Letters, page 19

Tory hospital schemes abandoned

Some of the Conservative government's privately financed hospital schemes are to be abandoned, it was announced yesterday.

Alan Milburn, the health minister, has invited MPs to make the case for their local schemes so that he can target resources more effectively. He will announce his decision at the end of the month. Projects will be graded according to how much they are needed, their sponsorship chances, and how far they have already progressed.

Fran Abrams

McAliskey case adjourned

The extradition application by the German government against 25-year-old Róisín McAliskey was adjourned until 8 July by Bow Street stipendiary magistrate Lorraine Morgan yesterday, after Ms McAliskey's solicitor, Gareth Peirce, told the court her client was unable to attend through illness. Mrs Morgan extended Ms McAliskey's conditional bail until that date.

Ms Peirce told the court that the prognosis on Ms McAliskey was "completely unclear". Under the terms of her bail, Ms McAliskey, who gave birth to a baby daughter a fortnight ago, has been allowed to stay in an unnamed mother and baby unit rather than be returned to Holloway prison. She is wanted for questioning in Germany about the IRA bombing of the Osnabrück military base in June last year.

Patricia Wynn Davies

Police appeal over travelling rapist



Police yesterday issued a nationwide appeal to trace a sadistic serial rapist known to have struck at least five times in 13 years.

The travelling attacker (seen left in a photograph) is wanted for four rapes and one sex assault which have taken place in West Yorkshire, Nottinghamshire and Leicestershire since 1982. In all five attacks lone women were abducted at knife-point from a city-centre car park or street parking, driven by the attacker in their own cars away from the city centre, raped or sexually abused and then taken back to the same inner city area and abandoned. West Yorkshire Assistant Chief Constable Lloyd Clarke, in charge of Operation Lynx - which featured on Crimewatch UK on BBC1 last night - said detectives fear the man will strike again. "We are dealing with someone who is cool and sadistic," he said. The man is white and at least 35. He speaks with a Scottish accent, uses the words "lass" or "lassie" and re-emphasises his commands by saying: "Do you hear me?"

Burglary suspect 'dead on his feet'

A burglary suspect who hanged himself in a courthouse cell was "dead on his feet" when he was finally cut down by Securicor guards, an inquest was told yesterday.

An inquest at Hammersmith Coroners' Court, west London, has heard that the guards believed that Peter Austin, 30, was faking suicide because they noticed that his feet were touching the ground. They allegedly watched him hanging from the light-fitting for 10 minutes without taking any action. But Doctor Iain West, head of Pathology at Guy's Hospital, London, said yesterday: "A substantial minority of people who hang themselves have their feet on the ground... People have hanged themselves from door handles."

Mr Austin, of Hammersmith, was found dead in the cell below Brentford magistrates' court, west London, on 29 January after being charged with burglary. He was the first person to die in the custody of Securicor, the private security firm. The case continues. Kathy Marks

Jail cut for general's taxi assailant

Black nursery nurse Debbie Blaize had a year's jail sentence for punching a retired major general in the face cut to six months at the Court of Appeal yesterday. Lord Bingham, the Lord Chief Justice, said he made the cut partly because of the trial judge's remark that she had "cynically and dishonestly decided to play the race card" in claiming that she had been racially abused by her victim, Major General Richard Gerard Wright. The general, 69, who lives near Grantham in Lincolnshire, had told Southwark Crown Court that a "screaming creature" knocked him to the ground after he accused her of queue-jumping at a taxi rank. Blaize, from Southwark, south London, claimed she was the victim of a barrage of racist abuse from the general who, she said, told her she should go back to the jungle, and she had simply pushed him after he grabbed her neck.

people



FINAL CURTAIN: Patti LaBelle (above) has again experienced a shattering disappointment in the West End. Master Class, in which she plays diva Maria Callas, is to close after only a month. The play was supposed to be a triumphant return, four years after she played Theresa Desmad in Sunset Boulevard, and was not chosen by Andrew Lloyd Webber for the Broadway transfer. (Photograph: Geraint Lewis)

Women taste victory in battle to earn the same as men

Joyce Pickering was celebrating a landmark legal victory yesterday after she and her 27 fellow female council workers won a £400,000 settlement in an equal pay and sex discrimination case against Durham City Council.

Under the agreement the women, all care workers for the elderly, will receive a lump sum of between £10,000 and £15,000 in back-dated pay, compensation and rent allowances, and a 35 per cent increase in their wages, to bring them into line with male colleagues.

Ms Pickering, a warden at one of Durham's sheltered housing complexes, said: "We no longer feel undervalued and underpaid after going for years without being properly recognised for what we do. Today has been a great achievement."

The fight, begun two years ago, involved the women's assertion that wages for men and women should be identical. They also demanded a review of working hours, which had seen many working round the clock.

Previously, the women had operated under a provin-

cial agreement which they and their union, the GMB, signed in 1988 but withdrew from when their action began. However yesterday's decision looks likely to throw the council's finances into chaos.

Brian Spears, Director of Housing and Health for Durham City Council, said: "The council never said the claim was totally unreasonable. The implication from the council point of view is how to pay for the settlement. All along we have been pointing out our inability to find this money."

But GMB national secretary, Mick Graham, called upon employers to take heed of the result. "Inability to pay is no defence in law," he said. "All similar cases we have run show very clearly that women have been discriminated against. Their work has been of equal value but they have been paid less."

Mr Graham explained that the cost of ensuring wage parity throughout the UK job market had been estimated at £1,000m, but suggested that the trend towards equal pay for both sexes was unrelenting. James Mellor

Greene burnt his fingers in US cash scam

The novelist Graham Greene (right) lost huge sums of money in a money-laundering racket run by the Hollywood mafia which led to him living in tax exile after an "agreement" with the Inland Revenue, according to a controversial new biography.

In *The Quest for Graham Greene*, author WJ West contrasts the writer's anti-Americanism with his unwitting involvement - and that of others such as Charlie Chaplin - in the illegal schemes.

"It must have been acutely embarrassing for Chaplin and Greene, with their political sympathies, to have been caught up in the seediest backwaters of international capitalism," writes Mr West, who says the author thought he was merely using tax avoidance schemes.

The book also reveals that



Greene had been a member of a communist cell at Oxford, the first student group of its kind, and that the security services were unaware of this when he later joined MI6. This may have been because his uncle, Sir Graham Greene, who was close to both Naval Intelligence and MI6, had "wiped the slate clean".

Greene's near-obsession with Catholicism, the book says

stemmed not from his desire to marry his Catholic wife, Vivien, but from youthful hero worship of figures such as the Irish nationalist Michael Collins and his support for the Catholic community in the Palatinate as a young man.

Novelist and author Mr West, who has also written about George Orwell and his work at the BBC, said yesterday he regarded Greene as one of the most important figures in British literature this century, and possibly ever.

"You have to go back a long way to find a writer who was so closely involved in the politics and life of this country."

"He is a far more serious figure in the political history of the 20th century than has been realised," said Mr West, whose book is published by Weidenfeld & Nicolson on 23 June.

The book explores Greene's lasting relationship with the spy Kim Philby, and reveals that they had a common bond; each had a relative who was locked up on suspicion of having fascist tendencies in the Second World War.

Michael Streeter

briefing

PUBLIC ORDER

MoD admits firing the wrong sort of bullets

Soldiers and police in Northern Ireland have been firing faulty plastic bullets for the past three years, the Ministry of Defence admitted yesterday. The batch of 284,500 plastic baton rounds was withdrawn in April after tests revealed that a third of them were firing faster than the permitted maximum of 156 miles per hour.

During last summer's disturbances in the province, a total of 9,000 rounds of plastic bullets were fired both by the army and by the Royal Ulster Constabulary.

MoD sources said yesterday that they believed about 100 people had been injured by the weapons in the past three years, but civil liberties campaigners put the total much higher. There are three outstanding compensation claims, but it is thought unlikely that the claimants will be able to prove the bullets which hit them were faulty.

In a written Parliamentary answer, the Defence Minister, John Speller, said that the Government would keep the use of plastic bullets under continuous review. In future stocks would be tested regularly to ensure that they continue to conform to specification, he added.

Fran Abrams

SOCIETY

US ready for black president

A comprehensive survey of racial attitudes in the United States has found that the vast majority of white Americans would now be prepared, for the first time, to vote for a black president. It even suggests that whites would be slightly more willing (93 per cent against 91 per cent) to vote for a "suitably qualified" black than would blacks themselves.

The proportion of whites saying that they would be willing to elect a black to the White House has doubled in the past 30 years and is up from 77 per cent 10 years ago. Black opinion has remained stable over the same period.

This change, which is attributed in part to the emergence - in General Colin Powell (right) - of a black politician who appeals across racial lines is the most positive finding in a wide-ranging poll of racial attitudes conducted by Gallup.

Mary Dejevsky



PREJUDICE

Gays' mental health discrimination

Lesbians and gay men are living in a "climate of fear", experiencing physical assault, verbal abuse and discrimination when they use mainstream mental health services.

Research by the mental health charity Mind found that nearly three-quarters had experienced prejudice and discrimination and more than one in five suffering physical and sexual violence.

More than half said that staff had used their homosexuality to explain their mental health problems and had been told they might have fewer problems if they were heterosexual.

"Despite the fact that homosexuality has not been listed as a mental health problem for over 20 years, it is clear that many mental health professionals still consider homosexuality to be a mental illness," said Judi Clements, chief executive of Mind.

Glenda Cooper

HEALTH

Cervical cancer affects the young

Cervical cancer is occurring more often in younger women, although the overall number of cases is in decline, research shows.

The disease, the second most common cancer in women, is now peaking in women aged 30-39, compared with a peak in women aged 45-59 in the early 1970s, according to a study in *The Journal of Medical Screening*.

The study also shows the disease is changing. Cases of one type of cervical cancer - adenocarcinoma - are four times higher than in 1971, but cases of squamous cell carcinoma are gradually decreasing. Adenocarcinoma is difficult to spot in the pre-invasive stage and may be underdiagnosed as a result, the researchers from the University of Cambridge say.

Jeremy Laurance

DIET

Sweet-toothed Britons in decline

Sugar consumption fell to a 20-year low in the first quarter of the year as Britons became increasingly health-conscious about their food at home.

New government figures show that at the start of the year we ate more green vegetables, fruit, eggs and skimmed milk, and less fatty food. Yet we are spending 13 per cent more than last year on alcoholic drinks, soft drinks and sweets, according to the latest National Food Survey (NFS), covering the first quarter of 1997.

The survey also shows that household consumption of beef has recovered completely from the BSE scare of last year. Compared to the same period in 1996, when the government announced a possible link between "mad cow disease" and the fatal human illness, Creutzfeldt-Jakob Disease (CJD), beef consumption was 5 per cent higher, continuing an upward trend over the past nine months.

Charles Arthur

TRANSPORT

Drivers fill up on a crash diet

Nearly half of motorists admit to eating and drinking, and most of the food consumed is of the junk variety, according to a survey published today. Crisps, chips and chocolate are favoured by munching motorists, the Autoglass research found.

Autoglass spokesman Andy Edyean said: "It's astonishing to think drivers are bombing along busy roads with a burger or kebab in one hand. It's a crash diet - an accident waiting to happen."

The survey showed that a typical driver's on-the-road monthly menu included six bags of crisps, six chocolate bars, six bags of sweets, three sandwiches, two pies, two burgers, a bag of chips, a doughnut and a kebab.

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Cookson saves art gallery

Jojo Moyes

The writer Dame Catherine Cookson has saved the Hatton Gallery in Newcastle from closure, the day after a decision was made to withdraw its funding.

The best-selling author of *The Black Candle*, *The Malen Streak* and *Feathers in the Fire*, who has sold more than 100 million copies in 17 languages, has pledged £50,000 a year for the next five years in order to keep the gallery open.

On Monday night the university council decided to cease funding the gallery, which has been in existence since 1926 and contains works by, among others, Kurt Schwitters, Goya and Francis Bacon.

The university ascribed its decision to budgetary constraints. It has to make cuts of 6 per cent across the next three years and closing the gallery would make a saving of approximately £45,000.

James Wright, the vice-chancellor, said: "I am most delighted with this rapid and remarkable response by Dame Catherine Cookson which sets the university well on the way to securing the future of the Hatton Gallery." The university now aims to raise £100,000 a year to create sufficient funds to "revitalise" the gallery as a "vibrant contribution to the region's arts provision".

The decision to close the gallery had been a controversial one, with sup-

porters of the gallery claiming that the benefits of keeping it open far outweighed any benefits made by the saving. Bill Varley, a fine art lecturer who helped head the campaign, had described closing the gallery as "like having a medical school and saying you're removing the operating theatres."

Yesterday he was overjoyed at the news that it would remain open. "God bless her, it's the most marvellous, generous thing," he said. "This is exactly a five-year breathing space to get the thing back on track and attract lottery funding." Mr Varley added.

It is the latest of many donations made by the bedridden Dame Catherine, who suffers from a blood disorder and is nearly blind. She has given money to the university before, to the library and medical school.

Last month the renowned benefactor, who at one point created her own charitable foundation, donated £50,000 to ex-servicemen who suffered illness after being involved with nuclear tests. The 90-year-old novelist made the gift to help to fund an independent study after learning of the veterans' distrust of government-sponsored health surveys.

Last year she helped to revive an independent school that closed because of falling pupil numbers, donating more than £40,000 towards the cost of leasing a new site for Charter's Ancaster College, after parents wrote to her appealing for help.

New mood signals a change in the air

Chris Godsmark
Business Correspondent

British Airways did not actually use the words "New Labour, new airline yesterday," but the implication was unequivocal yesterday, as the world's favourite carrier launched its new £60m image.

At a media jamboree billed as the world's biggest ever satellite link-up, BA's chief executive, Bob Ayling, painted a less "arrogant", less "self-important" image for the airline, linked to a new mood in the nation.

"There's a noticeable note of change in the air. There's a new air about the country. We even beat my friends at Qantas at their great game, which is now our great game."

It took John Prescott, the deputy prime minister, to ram home the analogy. "We can all think of major international companies which have stood still and declined. You have to be prepared to change, to reposition. Dare I say it, New Labour saw that," he said at the launch.

But as he spoke, "Old Labour" flexed its muscles as the Transport and General Workers Union sent out strike ballot papers to 5,000 ground staff at Heathrow and Manchester. The dispute is over BA's plans to sell off or out-source departments such as catering and aircraft servicing.

BA claimed the unions were going back on a landmark deal buying out restrictive working practices at Heathrow. Mr Ayling said the strike ballot was very disappointing. "Our new identity is about jobs, it's about training. People who talk about a 'virtual airline' don't know what they're talking about."

The re-launch, backed by a £60m investment programme over the next three years, is one of the boldest by any global company. Gone is the conservative logo used since before privatisation in 1984. BA's new identity positions the airline as "a citizen of the world," recognising that 60 per cent of passengers come from outside the UK.

More than 50 different designs representing ethnic communities will grace the tailfins of BA's 300 aircraft, with only the seven Concorde's still using a variation on the Union flag. "Airlines are extraordinarily chauvinistic. This is our attempt to break out of the chauvinism of the past," Mr Ayling explained.

The London design consultants Newell and Sorrell spent two years on the concept, which will continue through check-in desks, ticket wallets and even staff outfits. They tracked down over 2,000 artists and craft workers from Hong Kong to Poland and Southern Africa to Cornwall.



Simply divine: The Crouch End Festival Chorus performing in Wroclaw, Poland. The choir of amateurs, which includes teachers, stockbrokers and factory workers, has enjoyed unexpected success in America with an album reaching 13 in the US charts

Choir from Crouch End hits all the right notes in the US

David Lister
Arts Editor

An amateur choir made up of psychotherapists, teachers and stockbrokers from north London has reached number 13 in the American Billboard charts with an album of choral music.

The success has come as a shock to the 130 singers from the London suburb of Crouch End, who received session fees amounting to £9,000 between them for the album, *Cinema Choral Classics*.

The men and women of the Crouch End Festival Chorus meet to sing every week at a local secondary school and in the 13 years since the choir was formed have built up a strong reputation, giving concerts at the Royal Festival Hall and the Barbican Centre.

But they have never had a week like this week. An album of choral music used in movies such as *The Mission* and *The Omen*, recorded at sessions over two years, went straight in at number 13 in Billboard's classical crossover chart. It also reached number 20 in the classical crossover charts here.

David Temple, the orchestra's conductor and co-founder, said yesterday: "It's wonderful news. I know people will look at our name and think that it's something dowdy and suburban, but we are one of London's best choirs. We have toyed with the idea of changing the name, but we decided to stick with it as it's where we come from."

"We haven't got any plans to tour America, but if the album keeps going up, then it would be rather nice to go over to the States."

At present, he said, the choir just gets paid session fees for its recordings, but he added: "In future we may think about a royalties deal."

He said all the members of the choir were amateurs. Their day jobs included psychotherapists, teachers, city workers, shopkeepers and factory workers.

The record's producer, James Fitzpatrick, of Silva Screen Records, said yesterday that when he first signed the choir, his managing director wanted them to change their name but they refused.

"In America the radio stations are more interested in the films like *The Omen*. They don't mind what the name of the choir is."

"I want the security of a fixed rate but I don't want to lock my money away for years. Any ideas?"

Nigel Hartley, Wigan.

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Aitken is accused of 13 lies over Ritz

Kim Sengupta

Former Cabinet minister Jonathan Aitken was yesterday accused in the High Court of telling a web of 13 lies over his stay at the Paris Ritz.

George Carman, QC, for the defence said Mr Aitken's version "produced 13 matters which added together show a catalogue of coincidence of such improbability as to be preposterous. It is such a catalogue of coincidence that it is tainted."

Mr Aitken, the former Defence Procurement Minister and Chief Secretary to the Treasury, is suing *The Guardian* and Granada TV, the makers of *World In Action*, over allegations that he was in the "pocket" of powerful Saudi interests, pimped for Arabs, and was involved in secret arms deals.

He claims that his controversial stay at the Paris Ritz in September 1993 was during a trip to see his daughter settled at a Swiss school. The payment of his hotel bill by the Saudi Prince Mohammed was an "unfortunate muddle".

Mr Carman has told Mr Justice Popplewell, hearing the libel action without a jury, that Mr Aitken's acceptance of such hospitality from a son of the Saudi king would have directly contravened the guidelines on ministerial conduct.

Turning to the payment of the hotel bill Mr Carman listed what he alleged were 13 lies. They include the following:

The Ritz got his registration form wrong by allocating his bill to Saudi businessman Said Ayas, either by a deliberate set-up or a mistake.

He offered his credit card on arrival but it was rejected, and he never discovered the method which should be used to pay the bill. Mr Aitken never asked for a bill at any time and his wife, by mistake, paid half of it and

got what he called a receipt — but in fact it was the last page of Mr Ayas's bill.

Mr Aitken's close friend, Mr Ayas, never told him that Prince Mohammed was paying the entire bill and concealed that fact for two years after the event.

Mr Aitken told the Cabinet Secretary in March 1994 that his wife had paid his bill and had a receipt for it, that statement being untrue and designed to mislead the official.

Mr Aitken copied that letter to John Major knowing it was untrue, and did not attempt to correct the deceptions until compelled to produce the documents 14 days later after Mr Major intervened and suggested the receipt be sent to *The Guardian*.

In April 1994 Mr Aitken told the Cabinet Secretary Mr Ayas's nephew Abdul Rahman, had overpaid his bill and had confirmed that to Mr Aitken.

Mr Rahman had received Mr Aitken's cheque but pursuant to Mr Aitken's "conspiratorial agreement" with Mr Ayas and banked it, although not entitled to a penny of it, while not informing Mr Aitken.

Mr Aitken had a conversation with Prince Mohammed while at the Ritz about a possible defence contract to do with four British submarines, but did not reveal that until the inquiry, in October 1994, into other allegations.

At the end of presenting that list to the court, Mr Carman said: "When you add up that catalogue of improbabilities, do you not realise how scandalously incredible, and how preposterous, your story is?"

Mr Aitken responded: "No, I don't realise any such thing... I completely reject the flamboyant allegations made during those 13 points and, above all, at the end of those 13 points." The case continues.



Pulling power: Louie Salvoni, of the Café Society, demonstrating the art of coffee-making. The growing UK market is a prime target for world coffee producers Photograph: Keith Dobney

Coffee becomes new currency of crime

Ian Burrell

The jar of instant coffee has suddenly become a desirable trading commodity for loan sharks and small-time drug dealers in a trend which mirrors the surge in demand for coffee on the international markets.

A sharp rise in the price of instant coffees has made them a target for thieves who are stealing to order to pay off their debts from high-interest loans or drugs.

The British Retail Consortium and the National Association of Probation Officers (Napo) said yesterday that the pattern had been identified in cities across Britain.

Michael Schuck, the consortium's assistant director of retail crime, said: "People see coffee going up in the shops and it becomes more of a marketable commodity than other goods like shampoos, batteries

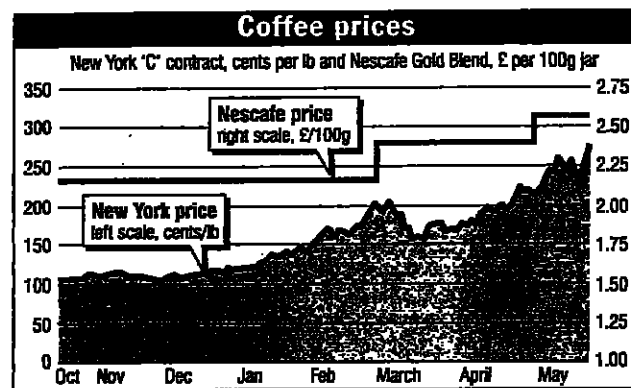
or razors. Coffee is a fairly expensive commodity. You can quite easily steal four jars of coffee and put them in a coat, a bag or underneath a baby."

Mr Schuck, a former police officer, said there was an organised racket in large drums of instant coffee being stolen to order from supermarket shelves.

"They are sold on to hotels, restaurants and cafes," he said. Harry Fletcher, assistant general secretary of Napo, said that such pilfering had recently been reported in Bradford, Merseyside, London and Greater Manchester.

"This stealing of coffee is a new idiosyncratic twist to a long-standing scandal of stealing to order. Debtors are being encouraged to shoplift whichever goods are currently the most easy to fence."

Extreme cold weather in Brazil has hit coffee production this year, triggering a frenzy of buying by speculators which



has forced prices to a 20-year high. Forecasts of more cold weather led to another 7 per cent rise on the New York market yesterday, where coffee closed at 253.30 cents a pound, compared to less than 100 cents in December. At one point late last month, the price reached 318 cents, the highest level since the 1970s when freezing

weather forced Brazilian producers to relocate entire coffee plantations to warmer areas.

As a result of the increase, the price of coffee also rose in the shops. Nestlé put up the price of its 100g jars of Gold Blend by 17p to £2.54 late last month.

The price rises have done little to arrest the coffee revolu-

tion which has led to a boom in American-style coffee houses and Italian espresso bars.

The Seattle Coffee Company will this week open its 24th branch, only two years after two Seattle exiles set up their first shop in Covent Garden. It now has outlets in Edinburgh, Glasgow, Birmingham, Cambridge and Swindon.

Louie Salvoni, vice-chairman of the Café Society, which represents the ground coffee industry, said: "The UK market is being targeted by all the major coffee producers of the world because of its potential. We are still European-led in our taste and profile but there is a movement towards late

because of the advent of American coffee concepts." Yet while the coffee cognoscenti argue over the relative merits of robusta and arabica beans and the price of cappuccino and espresso mak-

ers, the jar of instant has become so sought-after in some areas that it is being placed under protection.

In one shop in Greenock, near Glasgow, so many jars have been stolen that they are placed out of reach alongside the warning: "Coffee behind counter due to criminal activity."

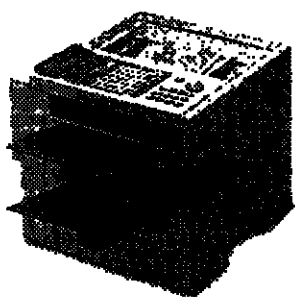
Tom Ward, a solicitor in the town, has had to represent a succession of clients arrested after stealing jars of coffee to off debts.

He said: "The price of coffee is such now that it's expensive, it's easy to lift and easy to sell on. That's the attraction of it."

Last week, as a young mother accused of shoplifting seven jars of high quality coffee appeared before a court in Greenock, the sheriff Sir Stephen Young exclaimed: "Oh no, not coffee again."

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English come bottom of class in maths

Judith Judd
Education Editor

English nine-year-olds are trailing pupils in the rest of the world in maths but outstripping most of them in science, according to an international study published yesterday.

Tests showed that English nine-year-olds came 10th out of 17, lagging far behind their contemporaries in Pacific Rim countries and in Eastern Europe.

Nearly half of English pupils could not answer the question what is five fewer than 203.

Ironically, a higher proportion of them thought they were good at maths than in those countries which topped the table.

In science, however, only four countries did better, and 13 per cent of English pupils were in the international top 10 per cent.

When the last similar study in maths was published six years ago, England was level with countries such as the United States, Canada and Ireland. Now it has slipped behind them.

By contrast, in science it has pulled ahead of both Hungary and Hong Kong since 1984.

Researchers from the Na-

tional Foundation for Educational Research (NFER), who carried out the study in England, suggested that the poor performance in maths might be explained by larger class sizes than most countries in the survey, except for Japan and Singapore, and by less whole class teaching, less homework and greater use of calculators than elsewhere.

The improved performance in science might be explained by the extra time devoted to science since the introduction of the national curriculum and extra training given to primary teachers.

The length of time spent on maths is unlikely to be the reason why English pupils are struggling. Time spent on maths is higher than in most other countries, though less than in Singapore, which tops the world maths league.

Scotland did slightly better than England in maths but worse in science.

Around 175,000 nine-year-olds in more than 4,000 schools in 26 countries took part in the survey, the Third International Maths and Science Study, believed to be the largest of its kind ever compiled.

No western European coun-

try significantly outperforms England in science but three do so in maths.

English pupils did poorly in all areas of maths apart from geometry and data representation, analysis and probability.

They were well behind their counterparts in number, fractions, measurement and proportion.

Sue Harris, one of the study's authors, pointed out that no other country had performed better in geometry, perhaps because of the practical way in which maths is taught in English schools.

The results for both maths and science are broadly similar to those for 13-year-olds in the first part of the study, which was published last year.

In science, pupils were above the global average in all four areas: earth science, life science, physics and environmental science.

Dr Seamus Hegarty, the foundation's director, warned of the difficulties of making international comparisons. In Norway, for instance, children do not start school until they are seven and in some countries a significant proportion of less able nine-year-olds is kept down.

Estelle Morris, the school standards minister, said: "This survey shows only too clearly how much we have to do to raise standards in maths. And it highlights how right we are to concentrate on basic skills in the primary years."

An example of the maths questions included in survey:

Question 1: Write this addition fact: $4 + 4 + 4 + 4 + 4 = 20$ - as a multiplication fact.
Answer: $5 \times 4 = 20$, or $4 \times 5 = 20$

Question 2: Four children measured the width of a room by counting how many paces it took them to cross it.

The chart shows their measurements. Stephen 10, Edward 8, Anna 9, Charles 7. Who had the longest pace?
Answer: Charles.



Food for thought: David Blunkett having lunch at Blatchington Mill School yesterday

Photograph: Andrew Hasson

Blunkett chips away at school menus

Barrie Clement
Labour Editor

David Blunkett yesterday revealed his long-cherished plan to introduce mandatory nutritional standards for schools meals and then went off to meet children who eat chips with everything.

The Secretary of State for Education outlined his plans for "well-balanced meals" at the

opening session of the Unison public service union annual conference in Brighton, and then encountered the reality of children's diets when he went for lunch at Blatchington Mill comprehensive school at nearby Hove.

Mr Blunkett, a Unison member, said he was not declaring war on chips - one of his sons was a "chip fanatic" - but on constant junk food.

He told 2,500 Unison delegates: "For nearly 18 years we have seen the quality of school dinners deteriorate and the number of children eating them drop significantly. Yet a balanced diet is crucial to their health and wellbeing. If you are hungry and have a poor diet it is difficult to concentrate and to learn effectively." Mr Blunkett said last year only 43 per cent of children took school meals

compared with 64 per cent in 1979. "For some, a school dinner is the only real meal a child gets in the day. It needs to be a decent meal, not junk."

"I do not want to declare war on chips, but on average our school children eat chips three times a week and we need to make sure that alternatives are also made attractive."

During the visit to the 1,500-pupil Blatchington Mill School,

headteacher Neil Hunter was asked about his pupils' preferences. "Chips are very popular," he replied. "It would be wrong of me to say anything else - oh yes, and sticky buns."

The Education Secretary said he had learnt his radicalism in his own school canteen. "We had sausages three times a week, while the headteacher tucked into steak. It was my first introduction to a socialist cause."

How the countries performed

Maths:	Science:
Singapore	Korea
Korea	Japan
Japan	United States
Hong Kong	Czech Rep
Czech Republic	England
Ireland	Canada
United States	Singapore
Canada	Ireland
Scotland	Scotland
England	Hong Kong
Cyprus	New Zealand
Norway	Norway
New Zealand	Iceland
Greece	Greece
Portugal	Portugal
Iceland	Cyprus
Iran	Iran

League tables show countries where test results were strictly comparable.

Back to basics with daily dose of three Rs

Lucy Ward
Education Correspondent

Primary schools are to be encouraged to set aside an hour every day to teach children reading and writing to help boost standards in the three Rs. As an international study confirmed British pupils' poor performance in the basics compared with competitor countries, ministers also announced schools would be urged to adopt more structured

ways of teaching maths.

Schools minister Estelle Morris yesterday called for urgent action to address poor literacy and numeracy in primary schools and asked curriculum experts to advise schools on how to give a "sharper focus" to the three Rs. Trainee teachers would be schooled in "traditional" teaching methods.

However, she stressed the shift of emphasis would take place within the existing nine-

subject national curriculum, which ministers have pledged will remain unchanged for children up to 14 until 2000.

Teaching unions yesterday welcomed moves to concentrate on the basics, but warned against excessive government interference in the classroom.

The National Association of Head Teachers cautioned against any attempt to prescribe a particular time slot for each of the basic skills.

General secretary David Hart said most primary schools already ensured reading and writing took up a significant proportion of the timetable.

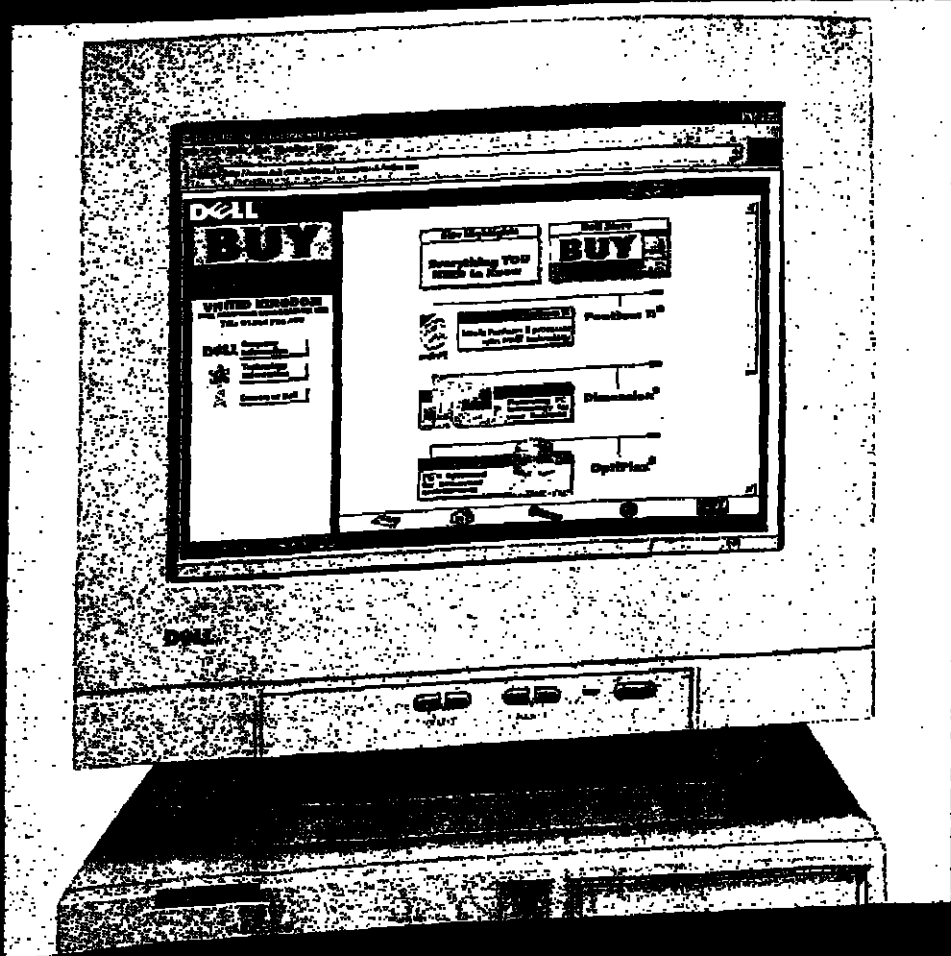
"It is the quality of the teaching rather than the time spent which counts," he said.

Doug McAvoy, general secretary of the National Union of Teachers, said teachers "do not wish to see a return to the bad old days of imposition from the centre".

Ms Morris, addressing a conference held by the School Curriculum and Assessment Authority (SCAA), insisted the Government had no intention of dictating how, or what, schools should teach.

However, she made clear that a daily literacy hour, recommended last February by a Literacy Task Force set up by Labour while in opposition, was looked upon favourably by ministers.

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news



Growing: A 30ft temporary sculpture being created for the South Bank, London, as part of the Coin Street Festival. Photograph: Adrian Dennis

Satanic abuse report runs wild on the Net

Charles Arthur
Science Editor

A county council is struggling to prevent the rapid spread on the Internet of a leaked report which strongly criticises its handling of allegations of satanic abuse of children in the 1980s.

Nottinghamshire County Council has already served injunctions against four people, including a co-author of the 30,000-word report and three journalists, preventing them from reproducing or disseminating the report, claiming they are breaching copyright.

But yesterday at least six computers in four countries on the global computer network were carrying the full text of the

report, which is highly critical of social workers in the county. Such "mirroring" is common among users of the Net to prevent the banning of material; a page can be copied and loaded onto a computer in moments, establishing a new presence.

Alistair Kelman, a British lawyer specialising in electronic copyright law, said last night: "Once something's been published on the Net, that's it. It's out there. After all, the network was designed to withstand a nuclear attack; it can probably survive Nottinghamshire County Council."

The council is trying, though. In a move which has surprised experts, it has even claimed that "hyperlinks", electronic pointers to other sites on the Web, can breach copyright. Hyperlinks are a standard tool connecting the millions of pages of data on the Web, often pointing between competing companies. Mr Kelman said: "If they win that point then it means the collapse of the Net - the whole thing depends on links."

The three journalists, Nick Anning, David Hebditch and Margaret Jervis, put the content of the Joint Enquiry Team (JET) report into the 1988 Broxtowe Case on to a British site on the World Web at the end of last month. Under the injunction, the text was removed on 3 June. The injunction will be challenged in the High Court on 23 June.

The JET report investigated the handling of satanic ritual abuse claims against children, and concluded that social workers had been too prepared to believe children over police.

One conclusion comments: "The use of satanic indicators, which appeared so convincing,

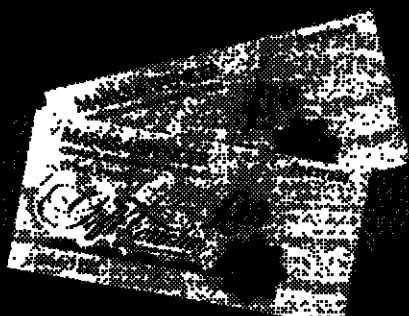
was disastrous". The report was originally intended for dissemination among social workers and police who might learn from its lessons. The council subsequently decided not to publish it, though the social workers involved were free to put their own views through the media and in public meetings.

In an earlier commentary on the report, the three journalists noted the number of alleged "satanic abuse" cases which cropped up in the UK after the report had been written. A number of those led to children being removed from their parents and being taken into care. "If the JET report had been made more widely available to social workers and police in 1990, would these cases have been handled differently?" they asked.

Besides contacting the British site, the Nottinghamshire county solicitor has e-mailed Jeremy Freeman, owner of a Canadian Web site carrying the text of the report, demanding he remove it. Though Mr Freeman complied, the solicitor contacted him again to demand he remove a "hyperlink" to another site with the report, also on the basis of copyright. The solicitor's letter said the hyperlink to a site in the US "is still publication" and would constitute breach of copyright.

Nottinghamshire County Council declined to comment yesterday on its reasons for suppressing the report's publication or its decision to describe hyperlinks as copyrightable. One source there said the council was anxious that the children involved in the Broxtowe case, now in their teens, should not suffer through having their past raked over in public.

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Bullies sentenced

Two teenage girls sent to a detention centre for three months yesterday for their part in a savage gang attack on a schoolmate who later killed herself, were last night travelling to Scotland's only women's prison.

Michelle McBratney, 17, and Lee Ann Murray, 16, were flown from Stornoway on the Isle of Lewis to spend the night in Inverness before being transferred today to the young offenders unit at Cornton Vale Prison in Stirlingshire. The prison has seen a number of suicides among inmates recently.

The two girls are expected to

spend the rest of their sentence in the adjacent young offenders unit, subject to an appeal. The Scottish Prison Service has pointed out there are no youth detention centres in Scotland.

Earlier, Sheriff Ian Cameron told the pair at Stornoway Sheriff Court that they had "evilly" taken it on themselves to ensure Katherine Jane Morrison, 16, could not safely walk the streets of Stornoway.

Katherine was found dead in her bedroom in Stornoway in February last year. In a suicide note she said bullying by certain girls had become too much for her.

DAILY POEM

The Moment

By Hilary Davies

That was the moment when, closing
The wicket gate behind me, I knew
That nothing would ever be the same again.
I knew I could wait before turning,
Very slowly, to look back:
An eternity to note precisely
How the falling sun would sketch
The branches, trace the millinery
Of the leaves. And then to turn
So slowly, looking backwards
At the glory of that other life
Lived not knowing what would come,
Before the eye of the storm passing
Over our heads brings us the world's
Enormity, its frailness, driving
And driving the exquisite spike
Of ecstasy into our lives.

This poem appears in Hilary Davies's second collection, *In a Valley of This Restless Mind*: the volume's title sequence recounts the tragic love affair of Abelard and Héloïse. It is published (price £7.95) by Enitharmon Press at 36 St George's Avenue, London N7 0HD.

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Girl of 12 released from Manx prison

Jason Bennetto
Crime Correspondent

A 12-year-old girl who has been held on remand at an Isle of Man jail for the past seven days was released into the care of a children's home last night.

It also emerged that the girl who faces nine charges of assault and criminal damage has been crying and shouting while at the prison in the island's capital Douglas.

In addition, it has been revealed

that a 14-year-old boy has been sent back to the Victoria Road jail on remand after breaking his bail conditions. A 16-year-old boy is already serving a 32-week sentence at the five-cell juvenile annexe.

The girl's lawyer said last night that the child, who is described as very disturbed, was "happy and pleased" to be leaving the Victorian prison.

The island's social services have agreed to provide extra staff and 24-hour surveillance to ensure the girl is kept secure at Cummal Shee chil-

dren's home in Douglas. The U-turn - the home had refused to take her because it does not have a secure unit - follows a failure caused by the publication in *The Independent* about the jailing of children.

In the past three years there have been 31 cases, some involving repeat offenders, of juveniles aged up to 16 being jailed on the Isle of Man. The youngest was aged 12, five were aged 14, and the remainder were aged 15 and 16.

A "deemster" - an Isle of Man

judge - at a hearing in chambers at the court in Douglas yesterday released the girl, who cannot be named for legal reasons, on custody and bailed her to reappear in court today.

It is understood that the conditions of bail are that she must stay at the home at all times and only leave with a member of staff.

When the girl appeared before a court last week she was said to be in moral danger, but was jailed after she refused to accept conditions that she

should live at the home and not go out unaccompanied. She is accused of assaulting members of staff at the home.

The Isle of Man does not have a specialist secure unit, and children as young as ten can, under Manx law, be sent to a special annexe at the adult jail. This practice was condemned as "barbaric" by civil liberty groups.

Terence McDonald, the girl's lawyer, yesterday criticised the police for charging the girl. "The po-

lice are not looking into the circumstances of juveniles and are treating child offenders like adults. They are exaggerating the juvenile delinquency by charging so many young people."

Commenting on the decision by social services to provide extra staff at the children's home, he said: "I welcome it but feel it is a great pity that something could not have been done sooner. There is desperate need for a separate secure unit for children."

Allan Bell, the island's home affairs minister, said plans to redevelop the prison were being considered and were likely to include moving the juvenile annexe away from the main jail. And he added: "The prison officers are trained specifically to look after youngsters and have a different method of approach to them than they would the regular prisoners."

"I inherited a situation I can do nothing about. I have to live with what I have got."

Islanders take moral umbrage at criticism

News that a 12-year-old girl was being incarcerated in a Victorian jail on the Isle of Man provoked an unusual response from the islanders.

Many of those who telephoned a local radio chat show were outraged and angry at what had happened.

However, their fury was not at the island's continued practice of imprisoning children, but at the uppity British media and do-gooders for interfering, and against one of their own inhabitants for breaking ranks and going public on a practice he described as a "scandal" and "barbaric".

The 72,000 residents of the craggy island, 16 miles off the Scottish coast in the Irish Sea, have been thrown into a heated debate since *The Independent* revealed last Saturday that a 12-year-old girl was being held on remand on charges of assault and criminal damage at a prison annexe. Under Manx law children as young as 10 can be detained at the island's only jail.

Rosemary Crosby, the governor of the Victoria Road prison in Douglas, said: "English people do not understand that we hear reports all time about 'ratboy' and other 14- and 15-year-olds who cannot be

Jason Bennetto finds the residents of the Isle of Man angry at outside inference

touched by the law. You are powerless to act. The Isle of Man takes a different view - that we do have authority and responsibility over our children. Our society still prides itself on this.

"People do not take kindly to being told by England that what they are doing is wrong and morally inferior."

The island has a reputation for tough action on crime and intolerance. Its inhabitants are fiercely proud of its independent identity - it is a Crown dependency and not part of the UK or European Union - and are prepared to fight for it.

The United Nations Human Rights Convention forced the Isle of Man to change its laws on corporal punishment and homosexuality. In 1992, the island's parliament voted to decriminalise sexual acts between consenting men, but only after the British government threatened to intervene. A year



Hard cell: The annexe at Victoria Road jail in Douglas where the 12-year-old girl was held. Under Manx law, children as young as 10 can be detained there. Photograph: Tom Pilston

later hanging was abolished, but at the same time the island's government voted to retain birching.

The police also have a reputation for taking a hard line on juvenile offenders. Without an independent Crown Prosecution Service it is left up to the police whether to bring charges. Last year, out of 625 crimes in-

volving juveniles, 242, or about two-fifths, were prosecuted, this included 89 children aged 10 to 13. A further 43 children were cautioned.

A Manx government report recently acknowledged that the use of imprisonment has resulted in the island's jail population being 12.5 per cent higher per head of the population

than in the UK. Overall levels of crime are lower than in Britain.

A middle-aged Manx woman walking alongside the island's jail yesterday had little sympathy for the 12-year-old girl. "Just because they are nine, ten, or 12 they should still be made responsible for their actions. A girl that age will know the dif-

ference between right and wrong."

"People in England automatically think we are barbaric because of the birching issue, but we look at how the authorities' hands are tied in dealing with youngsters and think we have got it right."

Not everyone supports this approach. Linda Coe, a shop

worker in Douglas, said: "I think it's disgraceful. The prison is not fit for adults, let alone children."

Others have contacted the girl's lawyer, Terence McDonald, to express their anger and disbelief.

Mr McDonald said yesterday: "Many people and the politicians are concerned about the

island's image and do not want to frighten off the financial sector or tourists. But this does not matter, we need to ensure that our children are treated properly."

"We are not a poor country and it is to our shame that we are looking children up in prisons and forcing them to sleep in cells."

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news

Travel rules ease animal suffering

Nicholas Schoon
Environment Correspondent

New rules aimed at curbing the suffering of farm animals exported alive for slaughter were introduced by the Government yesterday.

But Jack Cunningham, the Agriculture Minister, said Britain would be seeking a special opt-out for pedigree pigs, which already travel in relatively luxurious conditions.

The new rules, which come into force on 1 July, implement a 1995 European Union directive on the transport of live animals six months late. Half of the union's member states failed to meet the legal deadline for implementing the directive through their own laws.

But the European Commission has also broken a deadline for implementing the law, which

animal welfare groups had long campaigned for. It is more than a year late in producing detailed specifications for lorries which carry farm animals for more than eight hours. In the absence of these specifications, Britain will continue with its own 22-year-old vehicle standards for live animal transport.

The UK's new regulations lay down maximum journey and rest times for animals and give ministers new powers to disqualify carriers who seriously or persistently break welfare regulations.

Young farm animals can travel for nine hours before a minimum rest period off the vehicle of one hour, followed by a further nine hours' travel. Adult cattle and sheep can travel for 14 hours before a minimum rest of one hour, followed by a further 14 hours' travel.

All staff involved in journeys longer than eight hours will have to have training in looking after farm animals and understanding their condition.

Carriers wanting to take cattle, sheep, goats, pigs and horses for journeys over eight hours and for all journeys overseas will need a government authorisation.

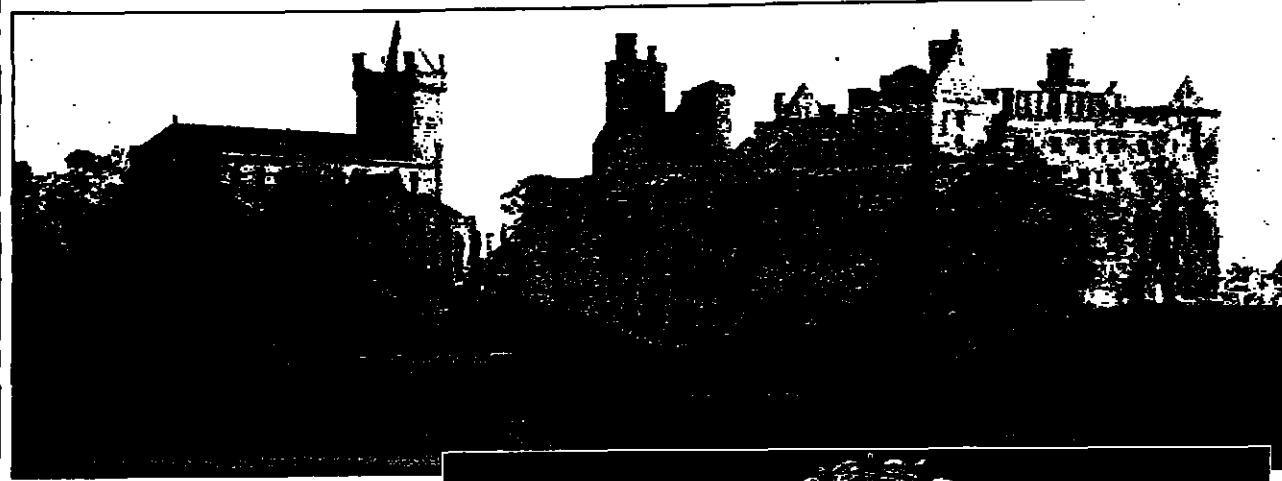
Live cattle exports from Britain have ceased following the BSE ban on UK beef exports. The trade in live sheep and lambs has also declined sharply. Last year some 760,000 were carried, only about half the number for 1995.

Britain also exports valuable pedigree pigs to the continent in a trade worth nearly £100m a year. The maximum journey time for pigs under the new regulations is 24 hours, but Mr Cunningham wants an exception made for these animals.

They travel with plenty of space, ventilation, food, and water, and because they are certified as disease-free the exporters want them to stay confined until they reach their final destination.

Dr Cunningham added that the Government strongly preferred export of meat rather than live animals, for the sake of animal welfare and because it provided more work for British abattoirs and meat processors.

Julia Watthall, a farm animal welfare expert with the Royal Society for the Prevention of Cruelty to Animals, said the EU directive failed to give farm animals sufficient protection from suffering in long journeys in crowded lorries. She had doubts about enforcement, but welcomed the Government's intention of reviewing how the rules were working after one year.



Planners go to war against the Queen of Scots

Stephen Goodwin
Heritage Correspondent

West Lothian has a new question. Is the heart-tugging story of Mary Queen of Scots the best draw for the district's most significant historical pile, Linlithgow Palace, or should the emphasis be on its fine Renaissance architecture?

Mary Stuart's birthplace in central Scotland has stood a roofless, romantic ruin for 250 years. But a proposal to repair part of the building and create a "Mary Queen of Scots Experience" has got a rather snuffy response from council planners.

Mary's tragic story is "old hat, over-romantic, negative and too concerned with royal rather than social history", according to a report submitted to West Lothian councillors yesterday.

David Jarman, head of strategic planning and transportation, admitted the Mary saga was "undoubtedly popular in appeal" but pressed an alternative approach that could "build on the palace's cultural links with Europe". Modern architectural scholarship had recognised its outstanding status as an early and significant expression of the Renaissance in Scotland, he explained.

But while the palace may have influenced the design of other great houses in northern Europe, few outside the council think that is its most important claim to fame - or the one most likely to increase visitor numbers above the current 50,000 a year.

Mary was born at Linlithgow in December 1542, six days before the death of her father, James V. Brought up in the French court, she married the Dauphin and was briefly Queen of France. Two husbands later, her turbulent life was brought to an end on the scaffold - executed on the orders of Elizabeth I whose throne she coveted.

Historic Scotland, custodians of the palace, Lothian and Edinburgh Enter-



Queen of hearts: West Lothian council says Linlithgow Palace's architecture will attract more visitors than a 'Mary Queen of Scots Experience'

prise, and the council are at the consultation stage of the £10m to £12m restoration plan. The Mary theme was put forward by a firm of consultants as a way of drawing more visitors once the roof and some of the interior of the North Range of the palace were restored.

Historic Scotland, a government quango, regards the palace as "under-performing" but yesterday emphasised that no decisions have been taken on any theme. No work will begin this side of the millennium and even then it will depend on the Heritage Lottery Fund footing half the bill.

Tam Dalyell, the town's Labour MP finds the future of Linlithgow Palace easier to tackle than his own West Lothian Question dogging devolution.

"I believe in noble ruins," Mr Dalyell said. "There are many more things deserving of spending public money on. But it is Mary Queen of Scots, and the romance around her, that would draw the visitors."

Linlithgow Academy history teacher Gordon Currie was in no doubt that Mary was the lure. "You say to the average punter 'Renaissance and Europe' and you will get queues going in the opposite direction."

Baby had no chance, says doctor

Glenda Cooper
Social Affairs Correspondent

The doctor accused of letting a premature baby die in her mother's arms said it would have been "futile, heroic and foolish" to try to keep the child alive.

Dr Faisal al-Zidgali, a paediatrician at Ayrshire Central Hospital said Rebecca Cassidy had been "extremely premature" and stood no chance of surviving.

Rebecca was born at the hospital in September last year following a pregnancy of up to 25 weeks, but Dr Zidgali deemed her to be "non-viable" with no prospect of survival.

Her mother, Kirsty, told the court yesterday that she pleaded in vain for him to do some-

thing to save the baby because she thought she looked healthy and normal. In her evidence she said the decision whether a prematurely born baby had a right to life should be made by the parents, not doctors.

But Dr Zidgali told the fatal accident inquiry at Kilmarnock Sheriff Court that Rebecca had been an extremely premature baby - 12 inches long, with a head smaller than a tennis ball, bruising across her head and abdomen and fused eyes.

Her heart rate was between 10 and 12 - compared with a normal rate for newborn babies of 120-160 and she felt cold because of poor circulation. She was gasping rather than breathing and the movements she was making were down to in-

voluntary muscle and nerve spasms, the doctor added.

"Rebecca did not have any chance of surviving because of her condition and I did not have any doubt in my mind," he told the inquiry. "We are not just dealing with a premature baby. We are dealing with a very extremely premature baby."

"I think it is futile, heroic and foolish to try to do something for a baby that in my clinical judgement is not viable. You should not do anything to harm the baby."

Dr Zidgali said he had resuscitated premature babies before, even those born in the 23-25 week period (the legal limit for abortion is 24 weeks), but they had all had high heart rates and looked pink and relatively

healthy. The longest any survived was for two or three days. In his most recent case, the baby had died after just 10 hours.

Dr Zidgali also denied a number of times that there had been a complete communications breakdown between himself and the parents. After Rebecca's birth he had said to Mrs Cassidy: "I'm very sorry, she's in a very poor condition and there's nothing I can do."

"There was no criticism of my management. She thanked me and wished me the best of luck, and it's not common for us as juniors to be wished the best of luck. I felt really that I did something. That a mum who had been through all this appreciated me and wished me the best of luck."

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news

Tory leadership: Howard and Lilley trail in last as first ballot of 164 MPs puts Hague in pole position to beat Clarke

Redwood glee as Right regroups

Colin Brown
Chief Political Correspondent

It was a surreal scene on the green outside the Palace of Westminster yesterday as the Redwood camp danced with delight at beating Michael Howard and Peter Lilley for third place, while their hero did his fourth television interview.

Julian Brazier kissed Angela Browning. "I cannot stop smiling in a rather inane way," said another member of the camp.

"It suits you," said another Redwood supporter. David Wilshire, the acting chief whip of the Redwood party, said their leader had been in touch with Mr Howard and Mr Lilley to offer them places in his campaign team.

Adding to the air of unreality, Michael Portillo's fan club was strolling around the green in sombreros. A four-piece guitar group strummed Mexican love songs to the man who missed out on the leadership contest because he lost his seat at the election.

John Redwood appeared to be the only man at Westminster who was not surprised by the result. "Why did nobody believe me?" he said, his arms wide open.

In the background, Michael Heseltine looked thunderstruck as he prepared for another interview. Lord Archer, a Lilley supporter, said: "All I said was there would be one big surprise. I wasn't expecting that one."

The Howard and Lilley sup-

porters, confused and downcast by the results, scattered to the corners of the Commons to discuss what they could do to rescue something from the wreckage of their campaigns.

One former minister said: "They can't assume our votes are going to transfer to Redwood. I voted with my head for Howard. I'm going to vote with my heart in the second ballot, and vote for Clarke."

The result was announced by Archie Hamilton, chairman of the 1922 Committee, to Conservative backbench MPs in the committee room at 5.19 pm. "Kenneth Clarke 49; William Hague 41; Michael Howard 23; Peter Lilley 24; John Redwood 27. As no candidate has received the required number of votes,

there will be a second ballot on 17 June."

The counting had been quicker than the last time, when John Major won, because there were only 164 ballot papers to be counted. Mr Major voted by proxy after the death of his mother-in-law.

His audience was stunned. They raced out bemused by what they had just heard. "I suppose it means more parties," said one former senior whip.

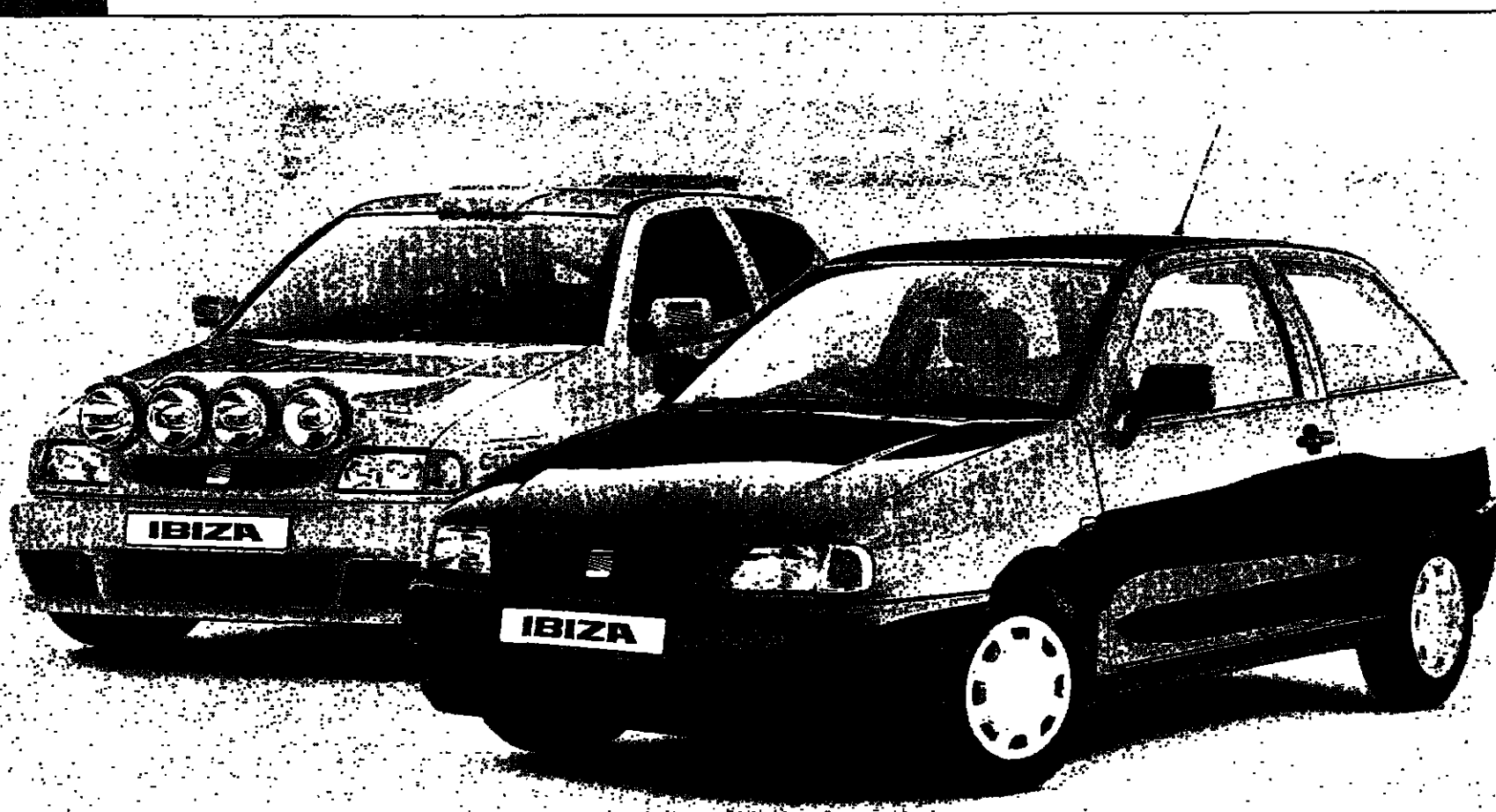
One senior Tory MP said that he had been persuading all his friends to vote Redwood in order to "screw" the Eurosophiles in the belief that the Left would win.

"We will take to the hills and fight a guerrilla war," he said. "It's a council of despair."



Corridor of power: William Hague (centre) joins the crowd in the House of Commons yesterday awaiting the result of the ballot for the Tory leadership
Photograph: Austin Mitchell, MP for Great Grimsby

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Continuing bitterness that bodes ill for future

Anthony Bevis
Political Editor

The continuing bitterness of the Tory right does not bode well for the future of the Conservative Party. It suggests that William Hague will pull through to win the Conservative leadership, as the man who can offer some kind of spatchcock unity.

But the right-wing will not be happy, and will continue their sniping – at friend and foe alike. Some MPs even fear that a few right-wingers might yet back Mr Clarke in order to keep the feuding alive.

To the bitter end, even as polling was about to begin in Commons Committee Room 14 yesterday, John Redwood went on BBC Radio 4's *Today* programme to expose fellow right-winger Michael Howard for exaggerating his support.

By lunchtime, Peter Lilley, the other right-winger in the race, was appearing on *The World at One* to take a further kick at Mr Howard.

Pointing out that the former home secretary had only garnered 10 constituency votes, of the 653 available, Mr Lilley said he had himself made a much bigger impact than the "self-proclaimed big hitter."

In fact, of the 567 British constituency parties that did cast an advisory vote, a clear majority went for Clarke, while a third backed Hague, and a measly tenth went for the three right-wingers combined.

It was left to Sir Michael Spicer, Mr Howard's Thatcherite campaign manager, to put those results in context. "The last leadership contest that I took part in," he said, "was one in which the overwhelming support of the party in the country was quite clearly for Willie Whitelaw and had that gone through and had its effect, we never would have heard of Margaret Thatcher; we never would have had the Thatcher years."

If Sir Michael intends to resist demands for a significant constituency voice in future leadership elections, he is riding for a fall. The outstanding question that comes from the current MPs-only franchise is: what proportion of votes will go to the party members in a future electoral college?

Mr Hague himself said: "There are only two coherent systems of election. One is for MPs to decide, the other is for every member of the party to have a vote, although MPs could retain a larger share of the electoral college."

The more immediate issue for the Conservative 164 MPs is how they now switch their votes for next Tuesday's contest.

Unless Mr Clarke withdraws in favour of Mr Hague, it would appear that there are just two choices ahead.

Redwood versus Hague would ensure a win for Mr Hague because of the threat of further strife, and possible defections, that Mr Redwood might provoke.

Clarke versus Hague would ensure a win for Mr Hague because too many MPs would fear the fall-out of splits and rifts that might follow a Clarke victory.

The alternative, which cannot be ruled out, is that Hague manages to secure the necessary 83 votes needed for a clear-cut second-round win next Tuesday.

Yesterday, he had 41 hard-core votes of his own. The Redwood votes will remain secure for the right, but the Lilley-Howard combined total of 47 could be more volatile. That would be enough to give Hague 88 if they switched en bloc, which they will not.

But in the privacy of a secret ballot, no one can be quite sure that some of Mr Clarke's first-round votes will not now begin to slip away – and over to the man now perceived as the ultimate victor.

Bottomley set to leave front bench

Colin Brown

Love her or loathe her, the cut-glass voice of Virginia Bottomley is likely to be missed from the BBC Radio Four's *Today* programme.

"Ginny", as she is known at Westminster, has told friends she is standing down from the Tory front bench, whoever is elected as the new leader of the party.

She told friends on the party circuit on the eve of the leadership poll that she was planning to spend more time with her family.

Mrs Bottomley, the pin-up for many Tory MPs in the Thatcher era, has been a regular voice on the BBC flagship show since John Major's 1992 general election victory, when he promoted her to the Cabinet with Gillian Shephard.

As Secretary of State for Health, she earned a reputation for ringing up officials at the crack of dawn to demand a right of reply on the *Today* pro-



Bottomley: Plans to spend more time with her family

gramme. Mrs Bottomley, 49, was responsible for hard decisions, including the proposed closure of London hospitals, now halted pending a review by Labour.

At the Department of National Heritage, she defended the National Lottery, helped protect the BBC from changes which could have opened it to more commercialism, and pre-sided over the Millennium Exhibition.

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Blair factor gets Islington house prices on the move

Jojo Moyes

The people of Islington, long the butt of right-wing humour, were laughing into the politeness yesterday with the news that the "Blair factor" had increased property prices by as much as 25 per cent.

Estate agents in north London were congratulating themselves that having a premier in their midst – albeit one who had decided to sell his house – had helped boost property prices in the Islington neighbourhood to prices reminiscent of its exclusive neighbour Hampstead.

Mr Blair, now installed in Downing Street with wife Cherie and their three children, has decided to sell his five-bedroom home in a quiet crescent because of the huge security problem and its effect on their neighbours.

His spokesman said: "I can confirm that they are planning to sell the house. The family had hoped to stay in the house, but it became clear that this was an unrealistic proposition because of the cost to the taxpayer of securing it against terrorist attack, allied to the inconvenience caused to people living in the area. Therefore

this was the only sensible thing to do." Local estate agents expect the Prime Minister to make an even bigger profit than the reported £240,000 experts say he can expect over the original purchase price.

The Blairs bought their three-storey home five years ago for £375,000, but it is now thought to be worth at least £615,000.

Local estate agent Daryl Lenhan of Balfour Stowe said the final figure may be much higher. "It is in a very popular location so it will fetch an inflated price anyway," he said. Surrounding properties are also expected to benefit from a higher valuation.

But those fancying a peek around the Blairs' former home are likely to be disappointed. Mr Lenhan said there were methods of deterring time-wasters.

"You act on the instructions of your vendor. They might ask you to vet people and get them to show proof of purchasing power."

The Blairs' house is near the top end of the Islington range. A similar Georgian house in the area is on the market for £549,000.

Paul Williams, managing director of Holden Matthews, the agents who



Des res: Tony Blair relaxes in the garden (top right) and with Cherie (above) at their £615,000 home (left)

Photographs: PAVMSI

sold the property to the Blairs, said they were still awaiting instructions on what to do with the house.

Asked if he thought the property would fetch an inflated price because it belonged to the Prime Minister, Mr Williams said: "I don't think so, but it certainly wouldn't be a disadvan-

tage to the sale."

However, William Fergusson, partner in Hugh Grover Estates, said that having Britain's First Family in situ had helped fuel a dramatic rise in prices. "It was certainly good for the area. It was a talking point, but to be fair Islington has been increasing in

popularity for 3-5 years. The rise in the value of his house is entirely reflective upon the market and time that any individual sales go through." The Blairs, he said, were indicative of the kind of professionals and young families who were moving into the once run-down borough

in droves: media and advertising people, professional legal sector, and those from the City.

A neighbour, who did not wish to be identified, said: "I am not sorry to see the Blairs go because I think it will make life for the rest of us a little easier."

Leading article, page 19

Price is right for the PM

Nic Cuscutti
Personal Finance Editor

Hundreds of thousands of homeowners will be asking two key questions over the sale of the Blair family home: "What do they know that we don't? And what will they be doing with the money?"

The couple's move, earning them at least £200,000 free of tax, follows a price surge which has seen the value of properties in some parts of London and the south-east of England rising by more than 50 per cent in the past 15 months.

Jeremy Leaf, a housing market spokesman for the Royal Institution of Chartered Surveyors, which represents estate agents, warns against applying the Islington experience too closely to other parts of the country. Prices, he says, may not rise so swiftly in future – but there is no immediate risk of an 80s-style collapse either.

"A lot depends on any Government measures taken to curb gazumping or to increase stamp duty. Issues like this, including interest rate rises or the abolition of mortgage interest relief, can affect confidence. One does wonder why Mr Blair is selling before the Budget."

Amanda Davidson, a partner in London financial advice firm Holden Meehan, says: "My advice would be to put the maximum into Premium Bonds. If they use their children's entitlements, they can invest up to £100,000. There is always the chance to strike it lucky and, as we know, Mr Blair is lucky."

Housing policy: Places the politicians call home

Baroness Thatcher made a profit of £200,000 on her Barratt's home in Dulwich in 1992. She and Denis had bought it seven years earlier for £400,000, and they had hoped to move into it when she retired. But they decided they needed something classier and bought a five-bedroom house in Chester Square, Belgravia for nearly £750,000.

The imposing symbol of Michael Heseltine's success is the historic mansion Thelord House in Northamptonshire. With 800 acres of land, the estate may be worth over eight figures. Mr Heseltine also owns a house in Belgravia worth around £1.5m, and

a thatched cottage on Exmoor which he bought for £250,000.

Jeffrey Archer's top-floor penthouse on the south bank of the Thames at Vauxhall has been valued at £4m.

New-Labourites Barbara and Ken Follett have several homes. Rumour has suggested their house in Cheyne Walk, Chelsea is worth a couple of million, but Mrs Follett claims it was recently valued at £750,000. As well as "a small flat in the south of France", they own a cottage in Stevenage, where Mrs Follett was recently elected MP.

Leadership battle delays sleaze report

Christian Wolmar
Westminster Correspondent

Sir Gordon Downey, the Parliamentary Commissioner for Standards, has become frustrated that the chaos within the Tory party is preventing the publication of his report on the cash-for-questions scandal.

Sir Gordon is anxious to draw the final line under the affair by publishing the report in order that it can be considered by MPs but the standards and privileges committee, to which it must be presented, cannot be recreated until the Tory leadership issue is resolved.

The report has been ready to be published since before the election, but its publication was delayed by John Major's decision to "prorogue" Parliament a couple of weeks before he needed to do so and this became an important election issue.

The Government had hoped to create the standard and privileges committee and the select committees which have an important role in scrutinising departmental decisions and legislation, but until the leadership of the Tory party is resolved with the appointment of a shadow ministerial team, the committees cannot be reconstituted.

Sir Gordon also faces another area of controversy following his

remarks in a legal magazine that he favoured full-time MPs with no outside interests, an idea which contradicts the recommendations of the Nolan Committee on Standards in Public Life. Sir Gordon said that he thought that the idea of having



Sir Gordon: Frustrated by chaos within Tory party

professional full-time politicians should be considered.

However, the Nolan Committee report in 1995 said that Parliament benefits from having "members with continuing outside interests" and this view was reiterated Radio 4's *Today* programme yesterday by Professor Anthony King, a member of the Nolan committee.

Labour is considering giving the Conservatives chairman-

ship of the Commons select committee on defence in order to defuse internal opposition over possible defence cuts.

A furious behind-the-scenes row is taking place over the suggestion, which would mean that Bruce George, the long-standing member of the committee and Labour MP for Walsall South, would not, as expected, assume the chairmanship.

One Tory source said that as part of the deal over the chairmanship, Michael Mates, a former chairman of the committee, would return to the job.

A Labour MP suggested that Labour party chiefs may be willing to give the chairmanship to the Tories because "the planned defence review is going to result in big cuts and it would put a Labour chairman in a difficult position". Most former members of the defence committee who would be candidates for the chairmanship are pro-defence spending and therefore giving the chairmanship to the Tories would avoid giving a senior Labour figure a platform to criticise cuts.

The review, to be completed by the end of the year, is likely to result in a fierce controversy over cuts. One MP said: "They would not be holding the review if they were not contemplating big cuts."

Union fires warning shot over government spending

Barrie Clement
Labour Editor

The honeymoon period for the Government with the Labour movement came to an end yesterday when Britain's biggest union warned ministers that they would be committing "political suicide" if they stuck to spending plans.

The annual conference of Unison in Brighton warned the Blair administration that its intended adherence to the previous government's tight budgets would mean "the nail in the coffin for public services as we know them".

Ministers were issued with the veiled threat of industrial action if they stuck to their guns on spending. "A Labour gov-

ernment cannot expect the membership of Unison to co-operate with or be passive to attacks or cuts to jobs in the public sector," a motion warned.

Delegates' overwhelming support for critical resolutions was, however, coupled with strong backing for a statement from the executive which called for a constructive relationship with the Government. The union should work with ministers where that was possible and where it was not it would "argue clear rational alternatives", the statement said.

Nevertheless there was a demand for the re-nationalisation of the railways and utilities and the repeal of "all anti-union legislation" none of which the Cabinet would find remotely ac-

ceptable. The desperate nature of the motions passed illustrates the deep divisions between the activist-dominated conference and the relatively moderate leadership.

General secretary Rodney Bickerstaffe emphasised that reducing unemployment was a priority, but warned that present policies and budgets were placing "intolerable strains on our members". He predicted that between 60,000 and 70,000 jobs would be lost in local government, 30,000 to 50,000 in the NHS, and many more elsewhere.

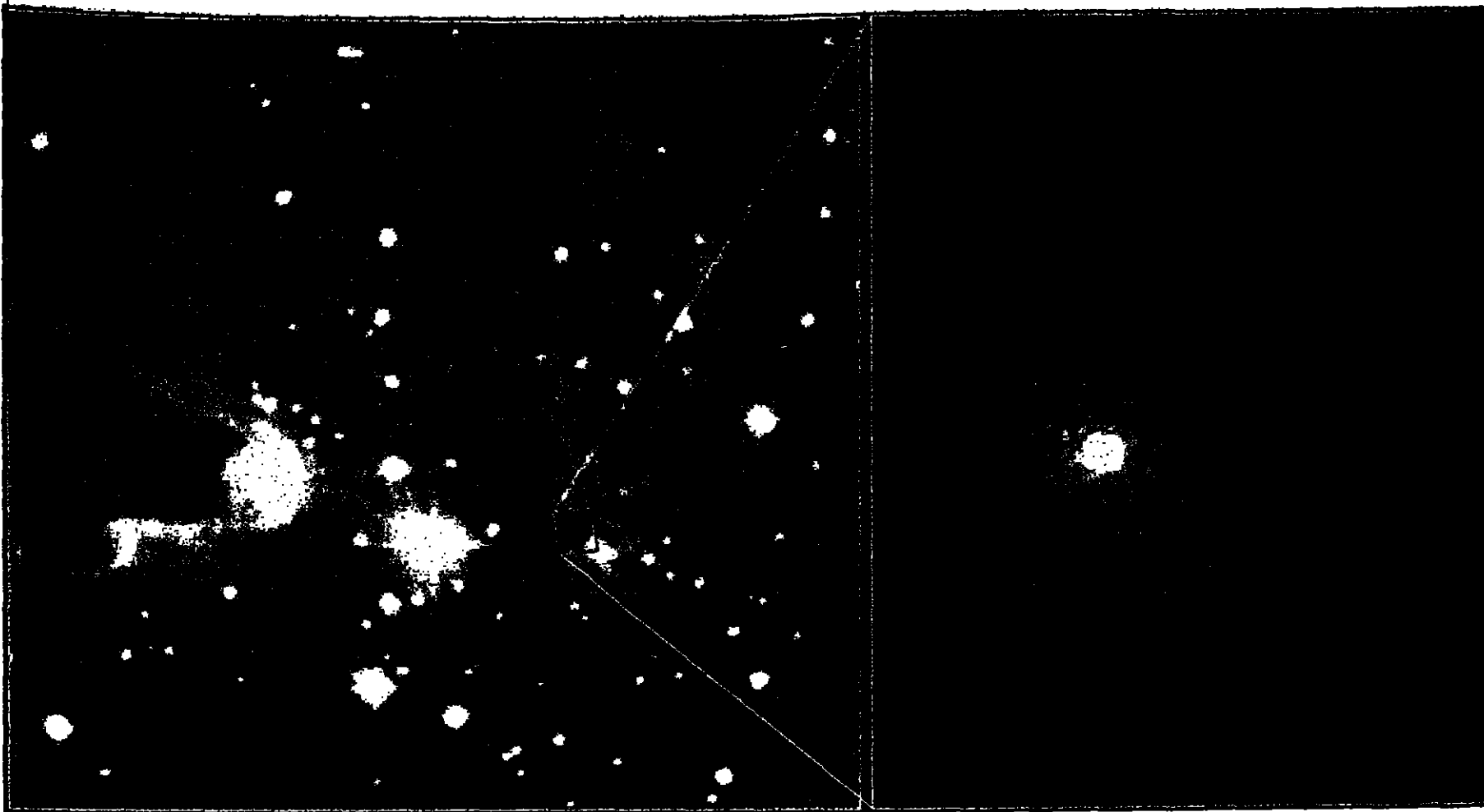
Delegates also supported a motion that there should be no compromise on the minimum wage, which the union wants set at half male median earnings – £4.42 an hour at current rates.

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A in the stars: Cone Nebula (left), 2,500 light years from Earth, and the main star NGC 2264 IRS made visible with infrared imaging. Photographs: University of Arizona/Nasa

Six new stars are born amid gas and dust

Charles Arthur
Science Editor

The right-hand frame here contains not one star, but seven - though the dimmer six are all the offspring of the larger, central one. New pictures from the Hubble space telescope, using its infrared camera, have provided scientists with direct evidence that huge stars can throw off enough dust and gas to create "baby" stars, visible here as the six fainter dots in the picture.

The right-hand frame is an enlargement of a tiny area of the left, which lies in the Cone Nebula, 2,500 light years away from Earth in the constellation Monoceros.

The main star itself is called NGC 2264 IRS, though it cannot be seen in the left-hand picture because of obscuring dust in its path. But with infrared imaging,

the central star is more apparent. Scientists call the starbirth visible here "triggered" star formation, and happens when a gale of high-speed particles from a young, massive star compresses nearby dust and gas until it becomes dense enough to trigger the formation of a star, or stars. Usually stars form by the gradual collection of dust and gas due to gravity, until the combined mass sparks fusion in its core. Normally, individual stars would be many light years away: the nearest to Earth is almost five light years distant. However, these "offspring" stars are just 0.04 to 0.08 light years from the central mother. The pictures were analysed by astronomers at the University of Arizona and Nasa. The rings around the star are not part of the image, but caused by diffraction effects from the point-like sources of light.

Vaccines tested on Australian orphans



Guinea pigs: Hundreds of orphans in the State of Victoria were used in medical trials. Photograph: Reuters

Robert Mullen
Sydney

An outcry erupted in Australia yesterday over revelations that hundreds of orphan babies and small children were used as guinea pigs in experiments on vaccines for measles, whooping cough, influenza and other diseases for 25 years after the Second World War.

Former wards of state demanded a judicial inquiry after it was disclosed that some of the tests did not work, failed to pass safety tests in animals and caused vomiting, abscesses and other side-effects in babies.

The revelations came in a report in the Age newspaper of Melbourne, which outlined seven separate cases of such experiments taking place in orphanages in Victoria state between 1945 and 1970. The experiments were conducted under the auspices of the Walter and Eliza Hall Institute of Medical Research, one of Australia's most prestigious research institutions, and the Commonwealth Serum Laboratories, then a federal government body.

They took place without the consent of any of the children's parents at a time when orphanages were crowded with state wards under an official policy that children from poor families and single parents should be placed under the care of the state. Such policies continued until the 1970s.

Michael Wooldridge, the federal minister for health, said last night that the experiments would never have happened. He said they were conducted according to the medical ethics of the day and should not be judged by today's standards. We will do everything we can

to put people's minds at rest."

According to the Age, researchers from the Walter and Eliza Hall Institute began work to develop a vaccine against herpes simplex by conducting experiments on babies in 1947 at Broadmeadows Babies Home, an institution run by the Roman Catholic Sisters of St Joseph. They chose the state wards because the infectious virus thrived in cramped living conditions and was believed to be "predominantly a disease of the poorer classes". The experiments failed. Some of the vaccinated babies caught herpes.

In another experiment, researchers from the Commonwealth Serum Laboratory tested combined antigens for whooping cough, diphtheria and tetanus on wards aged between three months and almost three years, from three Melbourne babies' homes.

A separate experiment by the same institution, involving 350 babies, was conducted over three years up to 1970. In this trial, to reduce the side-effects of influenza vaccines in infants, the babies were given full adult doses of the test vaccine.

David Vaux, the Walter and Eliza Hall Institute's spokesman, said yesterday that medical ethics committees with strict rules for informed consent on such trials had not been "invented" at the time.

"There were epidemics at the time of infectious diseases killing large numbers of children, especially at these institutions where conditions were very crowded. The sisters-in-charge were desperate to try to prevent their children from dying." Why the experiments on a non-life threatening condition such as herpes? "The authorities were interested in preventing children from suffering from herpes," Dr Vaux said.

Former wards who believe they might have been used as guinea pigs are demanding access to their medical records. Heather Bell, a Melbourne woman used in one trial as a baby, and now a spokesperson for a group representing former wards of state, said yesterday: "We want a government inquiry. The government were totally responsible for these children and they used them as guinea pigs. Would you use your children for medical experiments?"

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Hong Kong 香港 handover

US to boycott swearing-in of China's chosen

Steven Vines
Hong Kong

Madame Albright, the United States Secretary of State, will boycott the ceremonies for installing Hong Kong's first post-colonial government in protest against China's decision to use the occasion to install an unelected legislature which will replace the territory's existing elected body.

Governor Chris Patten, said yesterday that he guessed "other political leaders who believe in democracy and democratic institutions will have the same sort of concerns". He also strongly suggested that Britain too will turn its back on the swearing-in ceremony which will shortly follow the 30 July handover ceremony to be attended by world leaders and at least 40 high-level government representatives.

His decision adds to the growing feeling that the final day of British rule and the first day of Chinese rule will not be without considerable controversy. Last week, *The Independent* reported that China was likely to boycott Britain's farewell parade.

The United States has made it clear that it does not wish to be seen endorsing or helping to legitimise the creation of a provisional legislature set up by China to replace Hong Kong's first fully elected Legislative Council.

It had been thought that the 40 or so VIPs invited to observe the handover ceremonies would then attend the swearing-



Albright: Democratic protest

in ceremony for the new government's top officials. However, last month it became known that China also wanted to include a ceremony for members of the Provisional Legislature.

This provoked a flurry of diplomatic protests but China and the incoming Hong Kong government have made it clear that once a decision had been taken to include the legislature's members in the proceedings, it could not be changed. This point was emphasised yesterday by Henry Tang, a member of the new government's cabinet.

A spokesman for Rita Fan, the president of the Provisional Legislature, said she was not concerned whether or not Mrs Albright would be present, as the body was set up to serve the people of Hong Kong and so it did not matter whether foreigners approved of it or not.

United States China policy has become increasingly focused on the Hong Kong transition. A recent report by the Hong Kong-based Political and Economic Risk Consultancy

notes that "Washington has ignored China's description of the transition as an internal affair and is turning China's treatment of Hong Kong into a litmus test for US-China relations".

Hong Kong's Democratic Party filed a court injunction yesterday to challenge the constitutional legality of Peking's hand-picked shadow legislature set to replace a democratically elected assembly upon the 30 June handover of the British colony. Legal experts said the move had little chance of success but may temporarily block the Peking-selected chamber now forced to meet in China.



New identity: A man reading a form for the new Hong Kong Special Administrative Region (HKSAR) passports yesterday, the first day that application papers were distributed in the colony. It is claimed the passports self-destruct if tampered with. Photograph: Reuters

The last emperor's widow is dead

Peking — Li Shuxian, second wife of China's last emperor but never herself an empress, has died aged 73, writes Teresa Po. The woman who shared the last years of the last emperor's life, the Peking King, died away on Monday, the official Xinhua news agency announced yesterday.

Li was a commoner, not descended from the "eight major surnames", the families who in imperial China could marry into the emperor's family.

Li did not meet Pu Yi until after he was finally released by the Communists in 1959. In 19 he was assigned a job in a machine repair shop in a Peking botanical garden. Li was working as a nurse in a hospital

where he came for treatment and they married in 1962, when she was 38 and he was 55. Pu Yi died of cancer in 1967, aged 60. The couple had no children.

"On 1 May, I and my bride Li Shuxian started our own little home, and this ordinary home was, to me, something extraordinary," Pu Yi wrote in his autobiography *From Emperor to Citizen*. It is quite likely these final years were the happiest of his life. Pu Yi married his first wife, Empress Wan Rong when they were both 17 but Wan became an opium addict and died in 1946. Li's death breaks another link with the last members of the Manchu Qing dynasty, which was overthrown in 1911.

Obituary, page 22

World of Lily Wong



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Russia: Tale of two countries

Questions hang over an economy's success or failure. Phil Reeves reports from Moscow

He has one of the more sought-after telephone numbers on the planet, and yet it can be bought. If you have investment dollars – say, \$100m – you too can call President Boris Yeltsin's protégé, Boris Nemtsov. The charming but persuasive minister would be delighted to help you hack a path through Russia's jungle of red tape.

That, at any rate, was his message to leading business executives during a trip to Japan this week. The offer was open to those willing to invest in Russia, said First Deputy Prime Minister Nemtsov. "If you can't reach me at my office, ring me on my mobile phone," he told them. "If you can't reach me on the mobile, phone me at home."

It was a stunt, but one with a serious element: Russia is still struggling to shake off a post-Soviet depression that has cut its gross national product (GNP) in half, crippled much of its industry, and left millions beneath the poverty line. It desperately needs investors, but it is finding them hard to get.

Yet if the Japanese – and any other foreign investors – are to take up Mr Nemtsov's invitation, a fundamental question must be resolved: are the signs that Russia's economy on the mend to be trusted, or is the country sliding further into decline?

In the last few weeks, the issue has become the focus of debate, not least because of conflicting government statistics. In January – when President Yeltsin seemed at death's door and the country desperately needed a lift – the State Statistics Committee (Goskomstat) announced that GNP was up by 0.1 per cent on January last year.

The following month the government statisticians detected a similar improvement, reporting an upturn of 0.9 per cent. Both results were achieved by massaging the numbers – namely by factoring in a higher figure for the black economy this year than last. But Mr Yeltsin felt confident enough to predict 2 per cent growth this year, the first turn-around since the transition to a free market began in 1992.



City boom: A worker adjusts his mask while painting a bridge in Moscow, which is enjoying most of the country's economic growth Photograph: Reuters

Winners and losers in the new capitalist era

The list of those in the winners' enclosure in post-Soviet Russia is short, writes Phil Reeves. At the top of the list is the city of Moscow. While much of the rest of the country is in the doldrums, the capital is thriving, buoyed up by a huge black economy. It is fast becoming an island state, three times richer than the rest of the country.

The Muscovites are not entirely alone: at their side stand the "new Russian" beneficiaries of the privatisation process that has produced huge wealth for a small and frequently corrupt minority. There are also winners among the growing service industries (notably telecommunications), and industrial sectors – for example, petrochemicals, and exporters of non-ferrous metals.

The losers' enclosure is larger and stretching from Murmansk in the west to Vladivostok in the far east: thousands of factories have long stood idle, with nothing to fill their place. The largely untransformed agricultural sector is in disarray. So, too, are government services, the military, coal mining and most heavy industry. And many millions of Russians are still waiting for their pay and pensions.

rowing has dropped hugely from phenomenally high levels of last year. Foreign direct investment, though low, is picking up and foreign portfolio investment is showing an abrupt rise. Capital flight – which last year saw \$2bn a month leave the country – is ebbing. Real incomes rose by 4 per cent in the first quarter of this year.

Mr Yeltsin has surrounded himself with a sharp young team of free market economists. His communist and nationalist opponents are not particularly effectual. "The conditions are beginning to emerge for an upturn," said Al Breach, an economist at the Russian European Centre for Economic Policy.

But predictions of an end to the Russian slump have come and gone before. In October 1995, the European development organisation OECD fore-

have been steadily rising and now stand at about \$12bn, a crisis deepened by the failure of the government to collect taxes. In the first quarter, it raised just over half of the targeted revenues. Into the mix should be stirred endemic corruption, a lack of laws governing business transactions, tensions between central and regional government, an arcane tax system, and limitless quantities of red tape.

No matter how much money flows into Moscow, the rest of Russia's 147 million population face more hard times. The government is to reform the domestic housing and energy subsidies by targeting benefits for the genuinely poor – a move that may bring long term benefits, but will have the immediate effect of deepening the economic gloom. "Even if the conditions were to improve markedly, you still won't see a lot of investment here. It'll take 20 years to sort out this place," said one Western analyst. "And that's if things go well."

Wages and pension arrears

saw growth in Russia for 1996. What happened? The economy contracted by another 6 per cent, propelled off course by Mr Yeltsin's wild election spending spree. While parts of Russia are seeing their fortunes improve, the brunt of this trend is confined to the city of Moscow, and oil-rich areas. Other parts of the country remain hopelessly benighted.

Wages and pension arrears

significant shorts

Crucial vote leaves Czech PM hanging on

Prime Minister Vaclav Klaus, battling to save the market reforms he has built since the end of Communism, just survived a vote of confidence in his government.

Deputies voted 101-99 for Mr Klaus. The vote came six hours after Mr Klaus went before the Czech parliament saying he needed its vote to carry through an austerity program. Mr Klaus controls 100 seats in the 200-seat parliament and had to win over independent deputy Jozef Wagner to win. Mr Wagner told parliament he would support Mr Klaus only if the premier promised to put the future privatization of banks and large state-owned companies before parliament.

AP – Prague

Arafat arrests suspect killers

Yasser Arafat has ordered the arrest of a Palestinian intelligence officer sought by Israel in the deaths of two Arab land dealers, a security official said. Three Arab land dealers have been killed in the past month, apparently on suspicion they sold land to Jews. Prime Minister Benjamin Netanyahu has said he had proof the Palestinian Authority was involved in the abductions of the victims and he suspected it was behind the killings.

AP – Ramallah

Prince aids Bulgaria's recovery

Prince Kiril, son of Bulgaria's exiled King Simeon II, arrived in Sofia to advise President Petar Stoyanov on stabilising the economy. Simeon's second son, Kiril Saxe-Coburg-Gotha, an economist at London-based investment bank Lehman Brothers International, was met at the airport by a small group of royalists with flowers and the traditional welcome gifts of bread and salt.

Reuters – Sofia

Coup leaders menace media

The military junta in Sierra Leone hinted at a crackdown on the press as it sought to counter reports it had turned to Libya for military support. Declarations read on state-run radio also threatened merchants with "stringent measures" if they did not control prices of food which have soared since the 25 May military coup.

AP – Freetown

Divers pull ship from the deep

Divers began salvaging a centuries-old Swedish sailing ship yesterday that had been discovered off the former East German coast under the Communist regime but never recovered. Salvage work began after barnacles eating away at the 650-year-old wooden ship threatened to destroy the vessel. The ship is believed to have carried limestone slabs to build churches. It is the second oldest ship discovered on the German Baltic coast.

AP – Hiddensee

Safety measure is ear to stay

Reflecting earrings now dangle from cows' ears in a pilot road-safety project on the Malaysian island of Langkawi. The ear-rings are being tested to see if they reduce traffic accidents caused by cows and buffalo wandering on the roads at night.

Photograph: AP

Wh

Europe's foreign policy together

the heavy price fossil fuels

the heavy price fossil fuels

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Why the Tories won't let the best man win

Lessons one, two and three from yesterday's first-round ballot for the leadership of the Conservative Party are as follows. One, this is no way to elect a party leader; two, this is no way to choose a potential Prime Minister; three, that tells you most of what you need to know about the Tories' parlous condition.

If the Conservatives want to be regarded as a party fit to be elected in the next millennium, then their own internal elections should be a model of democratic propriety. It was perfectly possible to conduct a proper election this time round. All it needed was for John Major to do the decent thing, and hang on for a couple of months longer. The fact that the Opposition would be led for a time by a weakened leader (because he had just been heavily defeated) is neither here nor there: Tony Blair was so obviously going to dominate the scene for a time that it didn't matter much what happened to the Tories.

Mr Major would have enabled his party to think a bit longer and harder about its future, and about who might best lead it.

More important, though, the extra time could have allowed the party to devise new rules which could then be used to elect a new leader in the early autumn. Those rules should have been drawn up to ensure that committed party activists had a vote, along with

other representative arms of the party. Is it not bizarre, really, that a party which spouted so much democratic rhetoric while forcing unions to ballot, and that lambasts Labour for allowing trade unions to play a role in its elections, still cannot bring itself to allow its own members to play a meaningful part in electing its own leader?

All of this is more than passingly significant, since the party would not have got itself into its present mess if it had had the wit to wait. And it is an unholy mess, that's for sure.

Work it through for a moment. Michael Howard, merely by virtue of coming last, is out of the running, even though there is only a handful of votes between him, Peter Lilley, and John Redwood. Mr Lilley has a problem mustering the right-wing support split between him and his two fellows on that wing of the party, partly because he came fourth, and partly because no one seriously believes that British voters would elect him Prime Minister. Mr Lilley, in fact, has a consistency to his positions, is forthright, cogent, and served well as a cabinet minister, particularly in the difficult job of secretary of state for social security. But he utterly lacks presence, or charisma. There is no winning charm, no ruthless aggression. In fact he does not obviously display any of the personal characteristics that politicians need in some measure. He would appear to voters as a total unknown; worse, he is not

someone they feel much inclined to get to know.

That leaves John Redwood. His right-wing position is the most intellectually consistent – indeed, it has been the most consistent of all three right-wing candidates, full stop. But he is completely unelectable as a Prime Minister. He is regarded as not being entirely connected with reality, and that eventually proves fatal in a politician.

Tory MPs are not wholly daft. They understand all that. And they will look at the arithmetic of yesterday's voting, and realise that none of the right-wingers carries sufficient weight, even

in the limited confines of the parliamentary party. Add the fact that the party outside the Commons firmly rejected all of the right-wingers in the party's consultation exercise, and the conclusion is obvious: it has to be either Kenneth Clarke, or William Hague.

If the party were able to behave rationally, there would be no further argument. The constituencies want Ken Clarke. The public wants Ken Clarke. They know he has experience, and that he has the best chance of scoring points across the despatch box and the television studios against Tony Blair. They

also know that the Tory right's obsession with Europe is not mirrored by the public, who think that the party had better get on with the future rather than continue agonising about its past bitternesses.

Probably, however, the party is unable to behave rationally – therefore it will elect William Hague. The reason will principally be a negative one: that the anti-European Tory majority cannot bear the thought of being led by Ken Clarke, the man most clearly identified with the policy (of keeping an open mind on our future in Europe) that they have most despised over recent years. In fact, they will do whatever is necessary to prevent his becoming leader. Mr Hague will therefore almost certainly come through to win, but by default.

This would be, for the Tories, a lamentable outcome, but in many ways a fitting one. At every turn the above account underlines how confused and defeated the party's condition really is. The best that Conservatives can hope for, if they do indeed elect Mr Hague, is that this untidy, inexperienced, not-entirely-sure-of-himself man works out a way of remaking his party, and that he can learn leadership skills quickly, and on the run. He has the advantage of time: no one is rushing to hold another general election for a while yet. And his youth itself provides some opportunities, in terms of developing appeal. But the party's MPs would be

much wiser to stop looking back, and think about what they really need now: a strong, confident, well-tested leader who can mount an effective opposition and rebuild the Tories' confidence in themselves. They should elect Ken Clarke before it's too late. But they probably won't.

Blair scoops the lottery

Here is a question for people who believe in fairness and social justice. Is it right that someone who buys a house can make a quarter of a million pounds profit in a few years, while someone else who lives a block or two away is unable to accumulate any capital at all? That question is not a dig at the Blairs; they are simply making the kind of casually huge gain that many others do. But the sale highlights a curiosity of British society: big differences in wealth (and thus in comfort and security) often have more to do with fortuitous house purchase, where you moved and when, than any other factor. Yet politicians rarely contemplate making our housing market more rational, because then the lottery might end. Mr Blair might reflect on the matter as he tucks away his savings for that inevitable (but probably distant) rainy day.

LETTERS TO THE EDITOR

Get Europe's foreign policy act together

Sir: Whatever the disappointments of the Common Foreign and Security Policy in recent years, viewed in a proper historical perspective, substantial progress is being made. Twenty years ago, Europe's inability to act together in foreign policy was not regarded as surprising or culpable. Ten years ago we felt guilty about our failure. Five years ago aspirations and rhetoric had been developed, but there were no ground rules and no institutions. After Maastricht, we had some mechanisms, but were not good at using them. Most worrying is the impact on the European electorate of our failures in the wars of Yugoslav succession. We raised expectations about our ability to save life and then dashed them.

At the Amsterdam summit meeting we need to learn the lessons of past failure. We need a single person to be the face of our foreign policy, working in a stronger "troika". We need better planning. Above all, we need the ability to intervene militarily as a last resort. The policy needs a parliamentary dimension, both national and European.

Such a policy needs to be rooted in public awareness of the need for a common policy capable of responding to global threats. Foremost among these in the coming decades are the impacts of environmental and public health issues on our foreign policy. Civilisation can drown in the population shifts consequent on environmental disruption. It is anticipated that within 20 years we will see 120 million refugees from the consequences of climate change alone. These are the "wretched of the earth" driven north by economic failure, population growth and political collapse. This is a tide of misery that could create terrorist states and semi-states equipped with cheap rocketry and stolen nuclear technology.

The need for a true common foreign and security policy is real and urgent and can be communicated to the people of Europe because the need for it grows from the genuine fears and perceptions of our citizens. It is not a just game for diplomats. It is about trade and jobs, and drought and hurricanes. TOM SPENCER MEP (Surrey, C) Chairman, Foreign Affairs, Security & Defence Policy Committee of the European Parliament Chert, Surrey

The heavy price of fossil fuels

Sir: The Intergovernmental Panel on Climate Change has advocated an urgent 60 to 80 per cent cut in emissions of greenhouse gases in order to stabilise the Earth's climate. Richard D North ("Campaigners who blend reason with grandstanding", 5 June) failed to mention this, thus removing the context for Greenpeace's argument.

Using the computer models on which scientists base their predictions of climate change, Greenpeace estimates that no more than 225 billion tonnes of carbon can be burned if global warming is to be limited to an increase of one degree centigrade. (The United Nations Advisory Group on Greenhouse Gases concluded that temperature



increases beyond 1°C may lead to extensive ecological damage).

The total amount of fossil fuels currently due to be extracted is 1,000 billion tonnes, which if burned would result in an unacceptable temperature rise. But this is only a fraction of the fossil fuels thought to exist in the Earth, a staggering 4,000 billion tonnes.

Regardless of whether the Atlantic frontier would play only a marginal role in the world demand for oil, the UK should behave responsibly and refrain from exploiting this region for fossil fuels. So far, BP and Shell have paid lip service, but nothing else, to the "dilemma" of exploiting fossil fuel reserves.

DAVID CROMWELL (former Shell exploration geophysicist) Southampton Green Party

Sir: It is no surprise that the response of world governments to the Earth Summit five years ago has been that of failure.

The seeds of failure were already sown in the report of the World Commission on Environment and Development which maintained that global economic growth was essential to achieve sustainable development. Economic growth, wherever it takes place, is the main cause of global ecological and social crises.

Following the globalisation of world trade as a result of the last General Agreement on Tariffs and Trade and the establishment of the World Trade Organisation, large quantities of consumer durables are flooding into Britain and other Western countries. This consumption has involved highly polluting methods of production, mainly in China and other "tiger

economies" mainly in South-east Asia. This pollution should be attributed to the British consumer, not to the producers.

Unless we in the Western world are prepared to adopt a much simpler lifestyle than "Earth Summit" conferences will be little more than hot air. MICHAEL THOMAS UK Co-ordinator The Future In Our Hands Swindon, Wiltshire

New air assault on our ears

Sir: Polly Toynbee ("What defence toys really cost us", 9 June) questions the Government's unexpected support for the purchase of 232 Eurofighters.

The noise of low-flying training causes distress over a wide area of northern England, Wales and Scotland and has now been proved to be capable of irreversibly damaging the hearing of children. So where will the Eurofighter be based? At what levels, over whom, will it be doing its daily work-out? Given the superior power of this plane's engine, has anyone asked what sort of noise it will produce? Will it be louder than the Tornado, for instance?

Why has such a huge strategic decision been taken before the much-vaunted Strategic Defence Review has even started? Submissions from the public to the review need to arrive at the MoD by the end of June. It is time the many individuals and local groups

concerned with the noise and effect of low-flying left a bit of afterburn of their own. CLARE TAYLOR York

Sir: There was fighter combat in the Gulf war, but it was over very quickly, with few allied casualties. In Bosnia the Serb fighters stayed on the ground. Why? Because the American fighters and pilots were vastly superior to the Iraqis and Serbs. Britain's fighters hardly got involved, because their current aircraft, the Tornado F3, badly needs replacement.

We owe it to our pilots to send them into combat with the best equipment, so they have less chance of being killed. CONOR O'NEILL London SW14

Short's will to beat poverty

Sir: "Elimination not alleviation" of poverty a fantasy? ("The new Joan of Arc?", 7 June.) Certainly not. As long ago as 1977 the US National Academy of Sciences concluded after a major study that "if there is the political will in this country and abroad ... it should be possible to overcome the worst aspects of widespread hunger and malnutrition within one generation". Unicef now says much the same, but with a timeline of just a decade.

As long as Clare Short stays in charge at the Department for International Development, it

looks like we will have the political will in at least one of the G7 countries. Only six more to go. BILL LINTON London N13

Prescott trips over the dog

Sir: My family would love to do our bit for the environment and go by bus ("I'll get you on the bus, says Prescott", 6 June). Unfortunately, our willingness and money are not sufficient for Stagecoach Red & White in west Gloucestershire. A reasonable service exists and the buses are often nearly empty when we wish to travel, but the company has said "No".

The problem is our black Labrador. He is a dog, and although he is extremely well-behaved the company refuses to give him a ride. We can't leave him at home all day on his own. Rail passengers have a charter; bus passengers need one that sets out minimum standards including carriage of dogs and other things that bus companies may regard as awkward, such as pushchairs, suitcases and folding bicycles. CLIVE MOWFORTH Dursley, Gloucestershire

Sir: The evidence would certainly indicate that curbing car pollution is indeed a vital problem, and Professor Peter Smith (Letters, 4 June) suggests a number of technical fixes to engines and cars which would help to clean up the air. But even if a "magic" fuel

which produced no emissions were developed tomorrow, millions would still suffer traffic problems. "Greener" vehicles do nothing to reduce congestion (which costs industry £19bn a year) or to end "rat-running". Pressure for new roads would continue, eating up more countryside and further dividing towns. The noise of roads would continue to blight homes and enormous amounts of raw materials would continue to be used in car-building.

Planning to reduce the need to travel and making alternatives attractive and convenient would address all these problems. Now that Cynog Dafis MP has adopted the Road Traffic Reduction Bill we can look forward to debate in Parliament which will give Labour a chance to show if they will reduce all traffic problems by being tough on the cause of the problem – too much traffic. Dr SARAH HILL London E9

Bomber stamp

Sir: Will the Post Office be following up the obnoxious and insensitive depiction of RAF bombers on the new Royal Mail stamps by a series of images showing burning buildings and dead babies? Alternatively, if this is too offensive, perhaps images of Luftwaffe aircraft over London might be a better reminder of what exactly is being commemorated here. In the meantime, could the Post Office explain how we can write to our friends in Dresden? EAMONN MOLLOY Nick Hunt Lancashire University

Blocked footpaths of old England

Sir: For so long I have read and heard about the rights of every Englishman to walk the public footpaths of the country. I have even been told that there is a watchdog committee which zealously watches over these rights. If this is true, then they need to wake up and pay attention!

Last month I arrived off the plane at Heathrow from LA, picked up my car and headed towards East Anglia. In Suffolk, in the hamlet of Nedding, I stopped by the church, by a public footpath sign, started down it, only to be stopped after 50 yards by a very specific sign which indicated that I was about to trespass on private property. So I retreated, only to be told later in the nearby village that I should have heeded the first sign and ignored the second.

The arrogance required to flout centuries-old laws such as this is beyond my comprehension. I hope that those who are supposedly overseeing these footpaths take the appropriate action on behalf of all those who enjoy the country. Or, if they are still asleep, I hope those citizens of East Anglia who care enough will rise and rectify this act of blatant arrogance. ROBERT GRABOW Carmel, California, USA

Long history of honours for sale

Sir: Your leading article "Banish all the dishonourable honours" (5 June) was unfair in accusing David Lloyd George of introducing corrupt political honours. Honours were sold by monarchs and governments from the 17th century. Lloyd George was no worse than his critics, and he was not personally corrupt. Money raised from the sales was placed in the Coalition Liberal and Lloyd George Political Fund – and spent upon political activities. PAUL SMITHERMAN Southsea, Hampshire

Charity ruling

Sir: I must correct your education correspondent's report (6 June) about the Charity Commission investigation of the National Confederation of Parent Teacher Associations. It was not "hastily added to the agenda of a top-level Home Office meeting". The conduct of the commission's investigation is entirely a matter for the commission. It was not mentioned at our long pre-arranged meeting with the Home Office. R J FRIES Chief Charity Commissioner London SW1

Global eruv

Sir: I see the question of the north London eruv has come up again (Faith & Reason, 31 May; Letters 7 June). Enlarge your thinking and it will be solved. Think about making the enclosed part bigger, with a bigger boundary. Make it as big as the equator and it takes in half the world. Take in even more space, and the boundary has to get smaller. Take in almost the whole surface of the globe, and you can fit your wire ring into someone's back garden.

Then everybody everywhere can enjoy the benefits of being inside it. J M H WRIGHT Sale, Cheshire

More equality – just what the doctor ordered

Health is not only a matter for the NHS – it reflects housing, unemployment, poverty. Labour is revisiting the Black report of 1980, which aimed to reduce inequalities which condemn the poor to bad health, says **Jeremy Laurance**

Tessa Jowell learnt a new phrase last week: the "food desert". Food deserts, the minister of public health was told at a private seminar in London, are those areas of inner cities where cheap, nutritious food is virtually unobtainable. Car-less residents, unable to reach out-of-town supermarkets, depend on the corner shop where prices are high, products are processed and fresh fruit and vegetables poor or non-existent.

It was part of the new minister's preparation for a major speech next month in which she will set out the Government's plans on public health. Among them is an idea that would, if backed with sufficient political clout, go beyond anything the Government has so far pledged. It could even change the way we think about health matters.

It is not that the Government's early initiatives have lacked impact. The ban on tobacco advertising and sports sponsorship was dramatic and courageous. The promised cuts in NHS paperwork may be less than a day's revenue for the NHS but an extra £10m here and there, such as that allocated to breast cancer services, can cut waiting times and

reduce anxiety. Moves to abolish the NHS internal market may happen more slowly than some hoped, but it is almost certainly wise to allow time for alternative arrangements to be piloted.

But this is small beer compared to Labour's big idea. Frank Dobson and his team may not succeed in changing much in the NHS – and may end up not wanting to when the results of studies they have launched come in – which means that they need to look to the arena of public health for a fresh approach. They have chosen to re-visit the 1980 Black report on inequalities in health and set about reducing the health divide between the poor and the rich.

Such an enterprise, if it led to action, could do more than improve the lot of the poor. Commissioned by the last Labour government, Sir Douglas Black, the eminent physician who later became president of the Royal College of Physicians, recognised that health could not be compartmentalised. His report made clear that measures affecting schools, transport, housing, employment and poverty all affect health. A review of the Black report would have implications across government departments – and it is their

agreement to its precise terms that is still awaited.

The original report – a well-thumbed copy of which was produced by Frank Dobson on his first weekend in the health department – made wide-ranging recommendations on how to reduce inequalities in health. Among them was a costly proposal – one of many – to tackle child poverty with a sharp increase in child benefit. The total cost of its proposals was put at £2bn at 1979 prices (equivalent to £5.4bn today).

6 Frank Dobson won a standing ovation from 1,500 nurses despite a grim pay warning

with no clear evidence that they would succeed in reducing the health divide.

The Tory government which inherited the report quietly buried it – there was no press conference and only 260 photocycled copies were ever printed – but it is unlikely even a Labour government would have found the means to implement it.

New Labour, however, believes there may be a new way of approaching it. At the Royal College of Nursing's annual conference in Harrogate last month, Frank Dobson floated the idea of a new soundtrack for the next election – "Vote Labour, live longer" – and won a standing ovation from 1,500 nurses despite his grim warning on pay. Reducing inequalities, promoting social justice and restoring fairness has been a recurring theme in health ministers' speeches. In Mr Dobson we have a serious, old Labour commitment to

tackling injustice and in Ms Jowell, one of Tony Blair's golden wunderkind, a reflection of the new spirit of the socially conscious times.

Ms Jowell, 49, the daughter of a doctor, is fond of citing the statistic which shows that a child born today into social class I (professionals) will on average live seven years longer than one born into social class V (manual workers). While the death rates among social class V have remained unchanged over the past 70 years, among those in social class I they have halved. The poor have always died younger than the rich but the gap is widening.

Her appointment as public health minister raised hopes that the new government would look beyond the NHS to improve the nation's health. Ms Jowell, following an initiative by Chris Smith, Labour's health secretary until the election, when he was moved to the heritage department, has now asked Sir Donald Acheson, former government chief medical officer, if he would update the Black report. He has submitted draft terms for a review and is awaiting the go-ahead.

Publication of an updated Black report would be an apt way for the Labour government to mark the NHS's 50th anniversary which falls in July next year – if such a deadline could be met. Sir Donald is known to believe that by focusing on certain "points of intervention", such as in pregnancy and infancy, measures could be taken to alleviate the health disadvantages that the poor suffer.

Reviving the Black report is an idea that holds strong appeal for Frank Dobson and Tessa Jowell, who both represent deprived inner London constituencies. Their commitment is shared by the current chief medical officer, Sir Kenneth Calman, who took a calculated political risk by

addressing a conference on poverty and ill health weeks before the election in which he highlighted the problem of student poverty.

A serious examination of health inequalities and the measures needed to reduce them could alter the way we think about health. Shifting the focus from the process – the treatments that doctors provide – to the outcomes – the number of lives saved or improved – would remind us that the main influences on health lie outside the ambit of medicine and include housing, employment and poverty. The effect would be to displace the NHS from its central role in health care to become one organisation among many – including government departments, local authorities, schools, employers – with a role to play in improving health.

The process was begun by the Tory government's Health of the Nation strategy, launched in 1992, which set 27 health targets to be achieved between 1994 and 2005. However, the strategy was fatally undermined by the view of many experts by its failure to acknowledge the impact of poverty. Re-targeting the strategy on the social class-based health divide could, if pursued with sufficient vigour, make the Tory NHS reforms seem like a minor management review.

Adoption of such a strategy would have a further virtue. It would raise a vital question about the NHS – whether all it does is worth doing. The focus on numbers of patients treated, beds occupied and operations performed which has dominated debate about health for the past 18 years could give way to a more mature consideration of the benefits treatment brings. Securing the future of the NHS is only a part of the task of protecting the nation's health.



A fried Mars a day keeps the doctor away? In some inner-city areas, cheap, nutritious food is almost unobtainable, the new health minister was told **Jeremy Sutton Hibbert**

A blueprint ahead of its time

The original Black report was published on August Bank holiday, 1980. It was called *Report on Inequalities in Health Related to Social Class*. There was no press conference and only a limited number of copies were ever printed. Most people came to know the report through the abridged version by Peter Townsend and Nick Davidson originally published by Pelican and re-printed by Penguin in 1992 under the title *Inequalities in Health*.

A key recommendation was that children of poor families should be given a better start in life, partly through better antenatal care and improved nutrition in pregnancy. Since the report was published evidence has accumulated that poor nutrition in the womb and in the early months of life can have consequences stretching far into later decades.

The most controversial aspect of the report was its linking of ill-health with deprivation rather than with unhealthy behaviour – principally smoking. Sir Douglas Black, who chaired the working party that produced the report, wrote in *The Independent* in 1993: "Although we considered the significance of various forms of unhealthy behaviour, including smoking, we took a view that they were not the major determinant of the relationship between deprivation and health. Our view was supported by a study of 17,000 men in various grades in the civil service which showed that most ill health was associated with socio-economic status, as measured by grade, rather than unhealthy behaviour. Among

those who had no detectable disease at the beginning of the long-term study, premature death was still more marked among the lower than the higher grades."

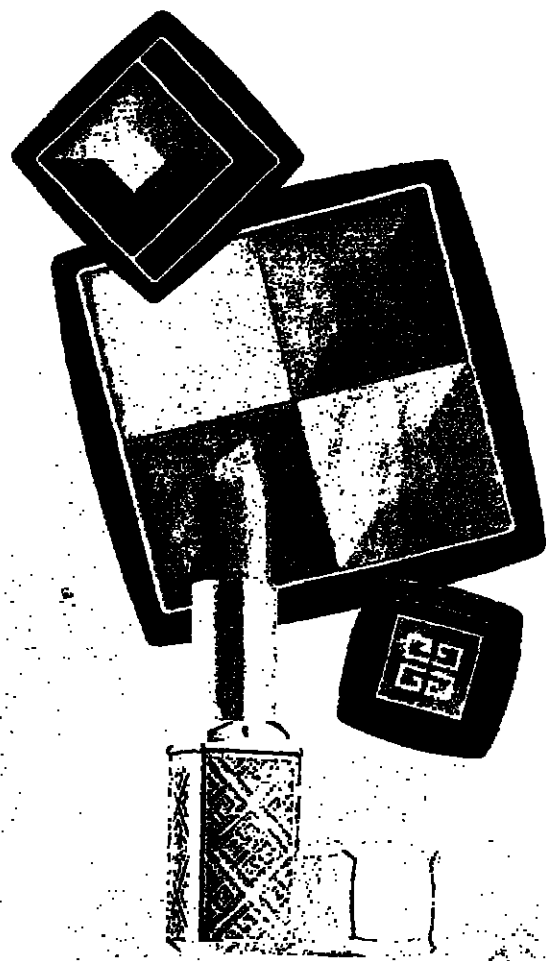
Social problems called for social solutions, Sir Douglas said. Although the NHS could help alleviate ill health it could do nothing about its causes. He wrote: "For a radical cure we must recognise that the direct pursuit of wealth by some leads to unacceptable poverty for many. Unless greed is once again tempered by social compassion, embodied in a revised welfare state, so culpably diminished in the 1980s, we will continue in the avoidable waste of human life and health."

In 1995, the Kings Fund, the independent health policy think tank, published its own analysis of the health divide entitled *Tackling Inequalities in Health* with a foreword by Sir Donald Acheson. Sir Donald wrote that during his eight years as the government's chief medical officer, from 1983 to 1991, he had become concerned that although the health of the nation overall was improving inequalities between social groups were increasing. He added: "Today the question is not whether these facts are valid but who cares and what can be done about them."

The report made a series of recommendations including greater investment in public housing (to be financed by the abolition of mortgage tax relief), tax changes to alleviate family poverty, increasing the price of cigarettes, targeting of NHS resources to deprived areas, and improvements in childcare.

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Gerry Adams? Jeeves will deal with him

I have been carrying around in my wallet for some time a cutting from *The Daily Telegraph* of Friday 27 September 1996, reporting a press conference with Gerry Adams on the occasion of the publication of his book, *Before The Dawn*. Occasionally I read it, wondering why I kept it, and always I remember: it's because Gerry Adams, when asked to name his literary influences, mentioned, among other writers, the late PG Wodehouse.

So, I have been carrying this cutting around with me, wondering how on earth to use such a nugget of information – ie how to effect a rapprochement between two such unlikely bedfellows, when all the time the answer was staring me in the face: leave it to a computer.

Accordingly, I fed into *The Independent* as much information as I could muster about Gerry Adams, then as much input as I could muster about PG Wodehouse, and then instructed the machine to produce a story about Gerry Adams in the style of the master. At first the

machine made excuses, then pleaded a headache, but finally I got it to buckle down to it, and yesterday it came up with this charming tale.

The Irish Cousin I had been invited down for the weekend to Wolfram Towers by my uncle, Lord Wolfram, which was a dashed nuisance, as I had also been invited to a golf party by my old friend Rupert Allhallows. Given a choice between the two, only an idiot or a man with a wooden leg, who fell over when he swung a golf club, would have elected to face Uncle Wilbert over a whole weekend. Or a man who had recently fallen somewhat in love with Uncle Wilbert's lovely daughter, Kate, as was my case.

"What would you do, Jeeves, in such a tricky situation?" I asked my faithful retainer.

"That depends, sir, whether you attach more importance to the heart or to the wrist."

"Eh?"

Sometimes I find it hard to follow Jeeves through the tangled thickets of logic. "It has always seemed to



Miles Kington

me, sir, that the art of golf depends entirely on knowing exactly when to unroll the wrists on impact. Not much of a challenge. The art of love is a more exacting game, especially as nobody has yet codified a set of rules."

Even when he explains himself, I seldom know what he is driving at.

"Besides, sir, our finances are very low at the moment and Lord Wolfram is a very generous uncle."

He had me there. Sightings of disposable income were currently as rare as snow at

midday in Cairo High Street, and a recent letter from my bank had expressed surprise that they had had to use so much red ink when printing my last statement. A surprised bank is not a happy bank. An unhappy bank will sometimes make life dashed awkward. Uncle Wilbert was, when in a jolly mood, unquestionably generous. Thus it was that I reluctantly agreed with Jeeves, made my excuses to Rupert Allhallows and found myself on the Friday motoring down to Wolfram Towers.

My sadness at not being on the first tee with Rupert and chums was somewhat assuaged by the sight of Kate coming out on the steps of the stately pile to greet me. Do you know the feeling when your heart turns upside down and gives you a kick in the ribs? It is not unlike dyspepsia, but lasts longer.

"Hello, Bertie, how lovely to see you!" she cried, and before I could tell her how equally lovely it was to see her, she had pulled a chap out of the shadows beside her and said: "Oh, Bertie, do you know Gerry? He is an Irish cousin who has come to stay

the weekend. Mr Adams, do you know Bertie Wooster?"

The specimen to whom I was introduced was a man with spectacles like library windows and a beard that would not have looked out of place on a Russian bear. I took his hand and let it go.

"A cousin of whom, may I ask?"

"Oh, just an Irish cousin," he smiled, using one of those smiles which have little light and no warmth.

"Are you interested in pigs?" I asked.

"Pigs?" he said.

"Lord Wolfram has a passion for prize pigs, second only to Lord Emsworth's," I said. "This weekend you may find yourself enmeshed in long conversations about pigs. I should be prepared."

He smiled.

"I think you will find I can talk long and hard on any subject without giving away what I feel or know about it," he said.

"Yes, I've heard you Irish johnnies have the gift of meaningful dialogue," I said. "It was a remark which Kate was later to reprimand me for quite severely."

The denouement tomorrow!

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The governme

The strange case of falling birth rates in the West

Where are the children? President Boris Yeltsin was recently handed a report that suggested that the Russian population, currently 147.5 million, could fall to about 120 million by 2050. It fell by nearly half-a-million last year. The reason is twofold: rising death rates among the middle-aged, particularly men, and a low birth rate. Russia – as a country, as a culture, as a people – is slowly dying.



Hamish McRae

Not having children must represent some sort of vote of no confidence in the future, but what sort of vote is that?

But so too is much of continental Europe. While mortality continues to fall, the other side of the pincer movement on population, falling birth rates, is more evident in parts of western Europe than it is even in Russia. In eastern Europe as a whole, the total fertility rate, that is the numbers of live children that a mother will have during her lifetime, is 1.6, well below the replacement rate of 2.1. But in Germany, Italy and Spain the fertility rate is now down to 1.2–1.3. So the implications for European population levels are almost as stark as those for Russia. On present UN projections, by 2025 the German population will have fallen from its present 82 million to 76 million, and by 2050 it could be down to 60–65 million.

The UK is in a slightly different position from most of the continent, for we have a slightly higher total fertility rate, 1.8. As a result, the UK population will continue to rise, from 58 million to a peak of just over 61 million in 2025, before falling. It is just about theoretically possible that the population of the UK will be higher than that of Germany in 50–60 years from now.

What is happening here? The phenomenon is particularly marked in continental Europe and in Japan; it is not so evident in the US, or in Canada and Australia. You can, perhaps, explain the low birth rate in Russia and the rest of eastern Europe in terms of the trauma and disruption of the transition from Communism to the market economy. But in prosperous, secure, western Europe? There must be something wrong, but what it is remains a mystery. We have recently at last begun to consider some of the effects of an ageing population, on public sector pensions, for example; but the reasons, as opposed to the consequences, are hardly discussed outside the academic world.

Demographers and social scientists have put forward a host of possible explanations. There is clearly some association with the rise in job opportunities for women. The greater the chance that women have of earning a good income, the greater the cost of taking some time off to have a family. There may be some lag here in the response of the rest of society. The labour market for women has grown faster than the social infrastructure which underpins it: everything from child-care to the willingness of male partners to pitch in with running the home.

The links are immensely complicated, but presumably there is some connection between the set of attitudes that lead to families breaking up and the willingness to have children. Maybe there is something in the assertion that adults have become more selfish, or at least more self-centred, in their choices; that they would prefer the extra money to spend on a holiday, and the extra time, rather than

devote it to the extra child. There are other more practical forces at work. The tax system does not help. If a woman working from home has someone in to help run the home office, that can be charged against tax; but if the person is in the next-door room helping to look after the children, it cannot. You think people do not consider tax when they decide about having children? Not so. One of the reasons why the birth rate in Sweden jumped in the early 1990s was because the government introduced a tax break for mothers who had a third child within a certain period after the second. In the middle 1980s, despite elaborate state-funded provision for child-care, the Swedish fertility rate was below the UK's; now it is above it.

Economists might further point out that if you regard children as a luxury consumer good, they are becoming a relatively more expensive one. That is not just a silly point about the rising cost of pocket money, designer trainers, driving lessons or, for those who pay for it, private education. It is more that the growing specialisation of the job market means that young people are needing longer training and therefore moving into jobs in their twenties rather than their teens. Result: they inevitably rely on parents' support for a longer period than they would a generation ago. The amount of parental investment, in both money and time, needed for each child is therefore much greater than it used to be. It is suggested in the US that having a large family has now become a signal of wealth: it boasts that "we can afford the big house, the people mover and the cello lessons".

But it cannot just be economics, can it? The countries with those very low fertility rates – Germany, Italy and Spain – have seen an enormous increase in wealth over the past generation. Living standards are half as high again as they were in the early 1960s, when birth rates were double the present level. People are better housed all over Europe, and better fed. The fall in male fertility, however worrying in the long term, has yet to reach a point where it has an impact on birth rates. Not having children must represent some sort of vote of no confidence in the future, but if so, it is very hard to pin down what sort of vote that might be. There is surely less of an immediate fear of nuclear annihilation – that was, after all, in the time of the Cuban missile crisis and the building of the Berlin Wall.

It would be absurd to try to trot out some pat explanation for a social phenomenon which cuts across societies as different as Russia, Italy and Japan. But it is not absurd to peer forward into the future and seek some sort of turning point. There is, maybe, one in sight. Fertility rates in the US have risen from the trough in the 1980s, and they are no longer falling here. People on both sides of the Atlantic are more confident talking about "family values" (including our new government). Will this quest for more order and stability result in a modest rise in the birth rate here, and then maybe in the rest of Europe? I don't know – but I know that it matters more than the political debate about Europe's future.

Why can't Labour be positive about blacks?

by Randeep Ramesh

Ten years ago today, a small electoral earthquake shook the House of Commons as four black MPs squeezed into Parliament. Since then another five have joined the original group, but the new Labour government is unlikely to make much of the anniversary.

Things are no better in other parties. Although the Conservatives had the first black minister, Nerys Evans, he lost his London seat in May. Worse were the racist fibres that John Taylor, an articulate and thoughtful black barrister, had to face over his selection to fight the true blue seat of Cheltenham for the Tories in 1992. Chastened by the actions of local activists, John Major elevated Mr Taylor to the House of Lords.

While the Government has been keen to trumpet the success of all-women shortlists, which saw the number of female Labour MPs leap from 39 before the election to 101 after, Labour officials would rather not explain why the party cannot afford ethnic minorities the same privilege. In the early Eighties there had been similar calls for positive representation of black candidates. After all, more than five per cent of the population were black; more than 13 per cent of the total Labour vote in 1983 came from ethnic minorities; and yet there were no black MPs.

Black Sections, a group first mooted in 1981 to further minority representation within the Labour Party, led the charge. Among its founding members were Diane Abbott, now MP for Hackney North and Stoke Newington, Paul Boateng, then a fiery left-wing lawyer, and Sharon Atkins, a party activist.

"It was just a few people talking over a pizza in 1981. We were all talking about getting elected and how to do it," said Mrs Atkins. Initially the party hierarchy welcomed the idea. And in 1983, a resolution setting out a framework for the National Executive Committee met with warm words.

"We had a founding conference in 1984, which was shambolic. You have to remember then there were a lot of competing groups on the left. Militant was a big force with their own black group," says Mrs Atkins. The internal warring spilled out into the open. According to Darcus Howe, who has chaired Black Sections' rise and fall, more than 200 people turned up to a heated fringe meeting in 1984. "Fifty of them (were) black. Of the blacks the majority were Militant supporters hostile to the platform."

When the sharpshooters started flying, the new leadership team of Neil Kinnock and Roy Hattersley decided to stamp out Black Sections. According to Kalbir Shukra, an academic, in



Major players in the debate over black sections: (clockwise from top left) Keith Vaz, Bernie Grant, Darcus Howe, Paul Boateng, Diane Abbott, and Sharon Atkins

his paper on the group: "They were seen by the Labour leadership as an obstacle to electoral success. Consequently, Kinnock decided to whip the left into line. Black Sections did not escape the onslaught." The Labour Party leadership refused to deal with groups

were selected to fight winnable seats – and partly because their constituency parties in Brent and Leicester voted for all-black shortlists. But Mrs Atkins was predictably deselected in 1987 from a safe seat in Nottingham after being goaded – by the left – into saying "I do not give a

dam about Neil Kinnock and a racist Labour Party."

That was the beginning of the end for Black Sections. None of the other prospective MPs – Boateng, Abbott, Vaz and Bernie Grant – stood up to the leadership over the Atkins affair. The four candidates concentrated on winning seats and Mr Kinnock even claimed credit for the new black members. "We can begin to have a multiracial parliament to reflect a multiracial society," he told the party's 1987 conference.

Once in office, all four took very different paths to power. Paul Boateng, who on being elected had made a passionate speech which included the memorable line "Brent South today, Soweto tomorrow," is the most successful. He is now the most junior member of the five-strong health ministerial team, after years spent shadowing the Solicitor-General's office.

tenham, has never been asked to do anything. "What worries me is how can we influence policy that affects race – like health, education and prisons. These are all concerns to the ethnic communities and there must be some way of considering black viewpoints," says Mr Grant.

Mr Vaz believes that the answer to that question lies with Black Sections. "We now need to work out a cogent and coherent agenda that can form a basis for a dialogue with those in power." Others disagree. Marsha Singh, who was elected in Bradford West this year, does not consider himself a "black

After all-women shortlists, the privilege should be extended to ethnic minorities

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Blair could lead in Europe. Will he?

The government has the political power to transform the EU, but doesn't know what to use its power for

It was never true that Britain could stop, or even much disrupt, the single currency. But it is now true that Britain could have a big influence on putting it back on course: in the jittery, confused atmosphere after the French change of policy and Chancellor Kohl's defeat by the Bundesbank, just imagine the effect of a clear, pro-EMU statement by Tony Blair.

He wants to be a leader in Europe. If he stood up now, over the next few days, and spoke out strongly for monetary union, he would be an instant hero in Brussels, and perhaps have great influence over the terms on which monetary union then advanced. Good idea?

Alternatively, imagine what John Major would have done with the mayhem. He would have been gloating over the French revolt, and noting that the Bundesbank was nearer to German popular opinion than Kohl. It is hard to imagine a Tory administration living through the past few days without declaring openly against the single currency. That would have gone down well at home. It still would, if Tony Blair acted similarly: Britain vindicated! Good idea?

The Prime Minister has resisted both temptations. He still believes monetary union will happen. He is still prepared for Britain to enter on the pen, and is prepared for the euro, the second wave. It would, perhaps, be odd if he suddenly emerged now as the defender of the euro, suddenly emerging now as the defender of the euro, suddenly emerging now as the defender of the euro.

of monetary union, assert an idea of France, as the statist and semi-protectionist leader of the Mediterranean bloc, that terrifies the Germans. And the Bundesbank's refusal to allow the German government to fiddle its way into the Maastricht conditions was a defence of the virtuous D-mark, the key symbol of post-war German identity, against the unpopular, polyglot euro.

Given the angst on both sides, it is hardly surprising that Blair has not leapt to defend EMU: why sprint to catch a train that may be just about to crash off the rails?

This means, however, that he will not be an important voice in the most important debate confronting Europe. He will not seize the opportunity to help bury monetary union, or to save it. So how will he lead?

After all, on the face of it, he has a wonderful opportunity to do so. Whereas Major was seen as a loser who had no deep sympathy for the EU, and whose party was divided, Blair still has the rosy glow of victory on him. His huge majority and his disciplined party ram home the message to other EU leaders that he will be in power for a long time. They are well aware that a dangerous gap has opened up between Europe's political leadership and its people – and perhaps this man has ideas on how to close it. In sum, what Blair says will be listened to.

Yet on the three key areas where Labour says it wants progress in Europe – labour-market flexi-

pushy and optimistic on the jobs front than his predecessor, who suffered from the general disregard felt for his government. He and Blair are entirely right about the importance of jobs, and flexible labour markets, and the need for our European time zone to compete effectively with the American and Asian time zones.

But there is a long way to go. If the New Labour approach is to mean anything more than Thatcherism with a different rhetorical twist, it will require bigger investment in retraining and education than anyone is yet committed to. And retraining alone will not save the EU if monetary union falls apart. There needs to be a political agenda, too.

At the coming Amsterdam summit it is hard to see any huge difference in the British positions caused by the general election. The tough anti-federalist lines on border controls, policing, defence and so on will seem familiar to other European governments – indeed, where the approach is different it is because Labour is taking a harder line than the Tories. There is a slightly greater openness to qualified majority voting in important areas, and the well-trailed difference over membership of the social chapter, but, in the grand scale of things, these are footling.

This adds up, doesn't it, to a new government which wants to transform our relations with the rest of the EU, and has the political power to do so; but which doesn't yet know what to use its power for. There is a disjunction between Blair's European stature and Blair's current European agenda.

No one in Downing Street will be much worried about that. A leader who promised Sun readers that he would patriotically stand up to

nasty European federalists would be content to return from Amsterdam with assurances on borders and defence, and a few concessions on majority voting in abstract areas. But the opportunities for a new era in British relations with the Continent are far greater than that.

Above all, whether the Euro goes ahead or not, Europe badly needs some radical political rethinking. Tony Blair was elected on a platform which stressed inclusion and jobs, and he has taken that message to other EU countries whose leaders are far less popular, and who are therefore interested in his message. But he was also elected on a programme of democratic reform. Wouldn't it be right, too, to turn that agenda on a European audience?

Yes, they have PR and we don't. Most other countries are already less centralised than Britain. None of them has a hereditary chamber. That is the unfinished business of Britain alone.

But Europe needs reform, too. I don't believe the EU can survive without a simpler, more understandable and responsive political system. How can the rambling, Byzantine hierarchy of committees and acronyms, accumulated over decades of deals and compromises, be compatible with popular consent? We need an open, public Council of Ministers, a reined-in Commission, and even a European constitution, which makes clear the limits to "ever-closer union". What we don't understand, we will end up hating.

If EMU goes ahead, European political reform will become essential. If EMU collapses, it will be the only alternative agenda left for a traumatised Union. Yet no mainstream leader is seriously discussing it: virtually no work has been done on it; barely a single speech has touched on it. Europe desperately needs somebody with the confidence and power to grab this agenda – someone who is going to be around for a while, and has courage and vision. Now, who could that be?



Andrew Marr

Andrew Marr

Andrew Marr

business & city

Business news desk: tel 0171-293 2636 fax 0171-293 2098
BUSINESS & CITY EDITOR: JEREMY WARNERCommercial
Union to slash
costs by £100mTom Stevenson
Financial Editor

Commercial Union unveiled a £100m cost-cutting programme yesterday in a bid to face down the growing threat from the direct telephone insurers.

Acknowledging that it needed to raise its game in an increasingly cut-throat market, the group promised it could push through the improvements with no compulsory redundancies.

Analysts welcomed CU's attempt to catch up with new entrants to the general insurance market but questioned the lack of detail provided by the company. They said management was unclear who would benefit from the cost improvements and said there was a concern that the savings would be eaten up by the lower premiums needed to maintain market share.

The company said yesterday it would deliver "significant added value" but refused to break down how much of the savings would go to customers in the form of better prices, how much would be reinvested in the businesses, and how much shareholders would see in higher profits.

Peter Rice, a director of the general insurance arm, said

yesterday the measures would slash CU's ratio of expenses to premium income by cutting £40m from the cost of dealing with claims, generating a similar saving from better management and a further £20m from more profitable underwriting.

He said CU had been working on the programme, dubbed "market orientation", for the past two years. The proposed changes, which would rely on natural wastage to reduce staff numbers, were agreed with unions. About 1,000 of CU's 5,500 staff leave each year.

Analysts said the moves were CU's response to a fast-changing insurance market that has seen new entrants such as Direct Line attack the traditional players' markets with the benefit of lower cost bases and more efficient systems.

General insurance, which includes commercial, household and car insurance, has seen tough competition for several years, with insurers desperate to find new ways of winning new customers and squeezing profit from businesses struggling with persistently low premium rates.

The changes, analysts said, reflected a realisation by the industry that insurance companies were regarded by the stock

market as poorly managed businesses and rated accordingly. Although CU is considered to be one of the best managed businesses in the industry, it admitted yesterday that continuing to do things in the same way was not an option.

Mr Rice said the £40m of supply chain savings would be achieved by aggregating a series of small changes. These would involve better systems to prevent overpayment of claims, better purchasing of replacement goods such as carpets and white goods, and better partnership arrangements with loss adjusters. Litigation is to be consolidated into a small number of offices.

He said, however, that there were no plans to copy Royal & Sun Alliance by outsourcing the handling of claims on its household account.

Andy Homer, managing director of the UK general insurance business, added: "We're trying to drive out the wasted cost that's built into an industry that does a lot of its transactions by paper."

The reorganisation also entails changing the head office into nine new business units which focus on different areas of the market.



Slipping: Commercial Union has seen tough competition from direct insurers for household business in recent years

US utility
set to
take over
Energy Group

Michael Harrison

Energy Group, the electricity and coal producer that was demerged from Hanson earlier this year, is set to be taken over for £3.6bn by the giant US utility PacifiCorp.

In a brief statement to the Stock Exchange last night Energy Group, which owns Eastern Electricity and the US coal producer Peabody, disclosed that it was in talks that could lead to a recommended offer from PacifiCorp at a 20 per cent premium to yesterday's closing price.

The statement, released after the close of the stock market, was made at the insistence of the Takeover Panel and followed a sharp rise in the company's share price in the last few days. Energy Group closed 16p up last night at 580p, compared with a low for the year of 460p.

If the offer goes ahead it would be the first big test of the Labour Government's attitude towards a takeover of a regional electricity company by an overseas utility. Six of the 12 Reas are already owned by US power companies and Eastern would make a seventh.

Apart from owning Eastern, which Hanson bought for £2.5bn in August 1995, and Peabody, Energy Group is also Britain's fourth biggest electricity producer with a 12 per cent share of the generating market.

PacifiCorp is one of the biggest utilities in the US with a market capitalisation of \$6bn (£3.7bn). Based in Portland, Oregon, it supplies electricity in seven western states and also owns a telecoms company, Pacific Telecom, serving 10 states in the west of the US.

The US utility was linked with several runaround takeovers of regional electricity companies during the bid frenzy that has seen most of the sector change ownership in the last two years but it never actually made an offer.

Energy Group was spun off in February – the last of the four divisions of Hanson to be demerged – and is listed in both London and New York. It made operating profits of £466m on sales of £3.8bn in the year to September 1996.

Since the demerger it has acquired the US electricity trading company Citizens Power, which is based in Boston, for £75m.

PacifiCorp employs 12,000 and earned \$505m in net income on revenues of \$4.3bn in 1996.

Talks between the two companies are being led by Energy group's executive chairman, Derek Bonham, and Fred Buckman, president and chief operating officer of PacifiCorp.

Energy Group is being advised by Lazard and Morgan Stanley and PacifiCorp's advisers are Goldman Sachs, which advised Eastern on its £2.5bn sale to Hanson in 1995.

Comment, page 25

National Grid
wins appeal
on pensionsChris Godsmark
Business Correspondent

The privatised electricity companies breathed a huge sigh of relief yesterday after National Grid and National Power unexpectedly won their appeal against a ruling by the Pensions Ombudsman which would have forced the industry to hand back more than £1bn to its pension funds.

The two National Grid pensioners who began the fight over pensions surpluses, David Laws and Reg Mayes, immediately pledged to appeal against the High Court ruling. But it was unclear last night whether Trustees of the Grid's pension fund would agree to continue funding the pensioners through an appeal.

Mr Laws said he was "bitterly disappointed" by the ruling of Mr Justice Robert Walker, who argued that the Ombudsman, Dr Julian Farrand, had "misunderstood" the law when he told the Grid to pay back a £46m surplus removed from the fund after a valuation in 1992. The Grid had divided up a £62.3m surplus, giving 30 per cent to pensioners in enhanced benefits and using the rest to fund improved redundancy terms.

"If we get funding we'll appeal. The fact the judge has given us leave to appeal says a lot. It's taken us four years to get this far and we've got a good case. It was not right for the Grid to use the surplus as a pot of gold," Mr Laws said.

National Power had joined the case in a pre-emptive move to avoid paying back about £250m to its fund, part of a £377m surplus identified in 1992 and 1995. Most power companies used surpluses to help pay for big redundancy

programmes, with National Power's workforce dropping from 16,273 in 1991 to 5,139 in 1995.

The Ombudsman's landmark ruling argued the Grid acted unlawfully in using the surplus, a move specifically outlawed by the scheme's rules. But the judge said the Grid's actions were "reasonable and proper", drawing on another paragraph in the rules which said it was the company's responsibility to deal with surpluses.

Mr Justice Walker added: "His directions were, as I have held, based on a misunderstanding of the terms of the scheme and of the employer's duties in dealing with surplus."

However, the judge admitted that much of the law on surpluses depended on often subtle wording of scheme rules. Mr Justice Walker said it was of "real public concern" that very large amounts of cash depended on arguments "about how many angels can stand on the point of a needle".

Mr Laws and Mr Mayes were partly funded by the scheme's trustees while the Ombudsman declined to appear in court. But both the trustees and electricity unions had supported the company's position. The Grid is now expected to "advise" the trustees not to pay for an appeal. "It would be illogical. The judgment is quite clear," said a solicitor close to the company. Solicitors for National Power pensioners were also considering an appeal. Angela Dimsdale Gill, from Lovell White Durrant, said the ruling went beyond the electricity industry and could be a "green light" to other companies with large surpluses.

Comment, page 25

CBI calls for Brown to raise taxes by £2bn

Michael Harrison

Interest rates will need to rise by a further percentage point to 7.5 per cent unless the Chancellor Gordon Brown increases personal taxes by £2bn in the forthcoming Budget, the Confederation of British Industry warned yesterday.

In its Budget submission, the employers' organisation said that a small fiscal tightening was necessary to keep inflation in check but that this should not be at the expense of business.

Adair Turner, Director-general of the CBI, said that unless action was taken to slow the growth in spending then the economy risked a return to the "boom and bust" of the past.

"However, we are cautious about relying solely on interest rates to curb demand since that could drive sterling up at a time when the high pound is already hurting the UK's export performance."

If taxes were to go up, then the increases should fall on individuals, not businesses, he said.

Although an extra penny on tax would raise £2.1bn and be enough to satisfy the CBI, Labour fought the election on a pledge that the basic and higher rate of tax would not go up.

The CBI said the Chancellor would need to look hard at the remaining options – allowances, national insurance, VAT and excise duties. It opposes any cuts in basic tax allowances, the abolition of Miras, reduced relief on PEPs or Tassas and higher duties on petrol, alcohol or tobacco.

But it suggested that the Chancellor could raise a large amount of the £2bn by limiting personal tax reliefs to the basic rate of tax rather than the higher rate.

The most widely touted corporate tax change is a further restriction on or even the abolition of tax credits on dividends, a move that would raise some £4bn. But the CBI warned that this would be counterproductive as it would cut funds available for investment and reduce the actuarial value of pension funds,

triggering higher dividend payments to tax-exempt funds or increased employer contributions. The CBI said that, though it remained opposed to the windfall tax because it was retrospective, arbitrary and unfair, it accepted the tax would go ahead and agreed with the purpose to which the money would be put – retraining the long-term unemployed. But it said the Government must set out clearly who would pay, how much would be raised and how the tax would be levied.

Amersham to control APB

Sameena Ahmad



New job: Bill Castell will become chairman

Amersham and Pharmacia & Upjohn, the US-Swiss group, yesterday announced the full terms of the merger of their life sciences divisions into the world's biggest biotechnology supply business and have agreed to prepare the joint venture for flotation by 2000. The new business, called Amersham Pharmacia Biotech, will have annual sales of £4.3bn, 3,600 staff world-wide and combined research spending of around £40m a year.

News of the deal was welcomed by investors, driving Amersham's shares up by

131.5p to an all-time high of £14.82. The closing price values Amersham at £874m.

Fears that the UK group would not win control of the new company proved groundless. Amersham will own 55 per cent and retains full control of the company's board, with Bill Castell, chief executive, appointed as APB's chairman, and Ron Long, managing director of Amersham Life Sciences, becoming chief executive of the new group. As well as the flotation, Amersham has the option to buy out the remaining stake in the company.

Mr Castell said the deal gave the group critical mass in high-

growth markets such as genomics and gene sequencing. He expected to save around £30m in the deal's third year from a 10 per cent cut in the workforce and reduction in operating costs at Pharmacia. He said the deal would be earnings-enhancing in its first year.

Analysts were divided about whether the deal would immediately enhance earnings, but said the strategy was right and the scope for cost savings was substantial. Nigel Barnes at Merrill Lynch said the savings would come through the job cuts and improvement in operating margins at Pharmacia, which spends around 37 per

cent of its revenues on administration compared to 42 per cent at Amersham.

"This deal makes a great deal of strategic sense and it should be earnings enhancing. The Pharmacia business has 9 per cent margins compared to 24 per cent at Amersham. There is plenty more fat to go from Pharmacia," he said.

The details came as Amersham announced pre-tax profits up 30 per cent to £60m in the year to the end of March. The increase reflected a sharp rise in healthcare profits as the sale of prostate cancer products soared. The dividend total is 22p, up 22 per cent.

US share surge boosts Footsie

Diane Coyle
Economics Editor

Share prices in London reached a new peak yesterday following an early surge in shares across the Atlantic. Analysts predicted further advances to come now that the FTSE 100 index has passed the latest psychological barrier of 4,700.

It ended nearly 53 points higher at 4,739.6, easily beating the previous all-time high set on 16 May in post-election euphoria.

In the US, the Dow Jones index was 86 points higher at 7,565 by late morning, following the new records set on Friday and Monday. The Dow has gained more than 1,000 points this year.

By contrast, stock markets in continental Europe were quiet and flat as investors decided to wait and see what becomes of prospects for the single currency as a result of the new hurdles thrown up by the French government this week. Shares in Paris suffered slightly more.

The CAC 40 index closing 22 points lower at 2,664.18.

Paul O'Connor, an equity strategist at BZW, said the biggest reason for London's advance yesterday was the rise in Wall Street. But he added: "A lot of people are rotating out of the continental European markets, at least in the short term."

Wall Street has been boosted by the diminishing fears that the Federal Reserve will raise interest rates again when it meets in July. In particular,

figures on Friday showed that the increase in non-farm employment last month was 138,000, far lower than expected. The figures suggested that the US economy is sustaining its astonishing mix of buoyant growth and low inflation.

Although Wall Street was the main explanation for yesterday's soaring share prices in London, they are also expected to be supported by this year's building society flotations.

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STOCK MARKETS					
Index	Close	Day's change	Change (%)	1996/97 High	1996/97 Low
FTSE 100	4739.60	+52.90	+1.1	4739.60	4096.60
FTSE 250	4497.30	+13.20	+0.3	4728.40	4462.00
FTSE 350	2287.20	+22.00	+1.0	2287.20	2017.90
FTSE SmallCap	2279.37	-0.12	-0.0	2374.20	2178.29
FTSE All-Share	2242.16	+19.99	+0.9	2242.16	1989.78
New York	7530.02	+51.52	+0.7	7478.50	5032.94
Tokyo	20532.95	+308.73	+1.5	20611.56	17303.85
Hong Kong	14439.71	-215.42	-1.5	14990.90	12055.17
Frankfurt	3665.01	-2.42	-0.1	3695.29	2848.77

Source: FT Information

INTEREST RATES					
Short sterling*			UK medium gilt		
Index	1 Month	1 Year	Index	1 Month	1 Year
UK	6.50	7.08	7.12	8.07	7.18
US	5.63	6.12	6.53	6.96	6.81
Japan	0.50	0.94	2.46	3.24	3.24
Germany	3.0	3.25	5.78	6.54	6.56

BOND YIELDS*					
Short sterling*			UK medium gilt		
Index	1 Month	1 Year	Index	1 Month	1 Year
UK	6.50	7.08	7.12	8.07	7.18
US	5.63	6.12	6.53	6.96	6.81
Japan	0.50	0.94	2.46	3.24	3.24
Germany	3.0	3.25	5.78	6.54	6.56

MAIN PRICE CHANGES					
Rises	Falls	Unchanged	Rises	Falls	Unchanged
Telecoms	84	9	12	Chiroscience	280
Amersham	1482	131	5	British Biotech	247
Eurotunnel	71	5	8	Celltech	285

CURRENCIES					
£/\$		£/DM		£/¥	
Index	1 Month	1 Year	Index	1 Month	1 Year
£/\$	1.65	1.65	£/DM	2.84	2.84
£/DM	2.84	2.84	£/¥	191	191
£/¥	191	191	£/A\$	0.6530	0.6530
£/A\$	0.6530	0.6530	£/NZ\$	0.6099	0.6099
£/NZ\$	0.6099	0.6099	£/HK\$	7.76	7.76
£/HK\$	7.76	7.76	£/SG\$	1.3600	1.3600
£/SG\$	1.3600	1.3600	£/INR	47.84	47.84
£/INR	47.84	47.84	£/R\$	1.70	1.70
£/R\$	1.70	1.70	£/Z\$	16.70	16.70
£/Z\$	16.70	16.70	£/B\$	1.64	1.64
£/B\$	1.64	1.64	£/P\$	1.36	1.36
£/P\$	1.36	1.36	£/C\$	0.67	0.67
£/C\$	0.67	0.67	£/M\$	1.36	1.36
£/M\$	1.36	1.36	£/K\$	1.36	1.36
£/K\$	1.36	1.36	£/L\$	1.36	1.36
£/L\$	1.36	1.36	£/S\$	1.36	1.36
£/S\$	1.36	1.36	£/T\$	1.36	1.36
£/T\$	1.36	1.36	£/V\$	1.36	1.36
£/V\$	1.36	1.36	£/W\$	1.36	1.36
£/W\$	1.36	1.36	£/X\$	1.36	1.36
£/X\$	1.36	1.36	£/Y\$	1.36	1.36
£/Y\$	1.36	1.36	£/Z\$	1.36	1.36
£/Z\$	1.36	1.36	£/A\$	1.36	1.36
£/A\$	1.36	1.36	£/B\$	1.36	1.36
£/B\$	1.36	1.36	£/C\$	1.36	1.36
£/C\$	1.36	1.36	£/D\$	1.36	1.36
£/D\$	1.36	1.36	£/E\$	1.36	1.36
£/E\$	1.36	1.36	£/F\$	1.36	1.36
£/F\$	1.36	1.36	£/G\$	1.36	1.36
£/G\$	1.36	1.36	£/H\$	1.36	1.36
£/H\$	1.36	1.36	£/I\$	1.36	1.36
£/I\$	1.36	1.36	£/J\$	1.36	1.36
£/J\$	1.36	1.36	£/K\$	1.36	1.36
£/K\$	1.36	1.36	£/L\$	1.36	1.36
£/L\$	1.36	1.36	£/M\$	1.36	1.36
£/M\$	1.36	1.36	£/N\$	1.36	1.36
£/N\$	1.36	1.36	£/O\$	1.36	1.36
£/O\$	1.36	1.36	£/P\$	1.36	1.36
£/P\$	1.36	1.36	£/Q\$	1.36	1.36
£/Q\$	1.36	1.36	£/R\$	1.36	1.36
£/R\$	1.36	1.36	£/S\$	1.36	1.36
£/S\$	1.36	1.36	£/T\$	1.36	1.36
£/T\$	1.36	1.36	£/U\$	1.36	1.36
£/U\$	1.36	1.36	£/V\$	1.36	1.36
£/V\$	1.36	1.36	£/W\$	1.36	1.36
£/W\$	1.36	1.36	£/X\$	1.36	1.36
£/X\$	1.36	1.36	£/Y\$	1.36	1.36
£/Y\$	1.36	1.36	£/Z\$	1.36	1.36
£/Z\$	1.36	1.36	£/A\$	1.36	1.36
£/A\$	1.36	1.36	£/B\$	1.36	1.36
£/B\$	1.36	1.36	£/C\$	1.36	1.36
£/C\$	1.36	1.36	£/D\$	1.36	1.36
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£/J\$	1.36	1.36	£/K\$	1.36	1.36
£/K\$	1.36	1.36	£/L\$	1.36	1.36
£/L\$	1.36	1.36	£/M\$	1.36	1.36
£/M\$	1.36	1.36	£/N\$	1.36	1.36
£/N\$	1.36	1.36	£/O\$	1.36	1.36
£/O\$	1.36	1.36	£/P\$	1.36	1.36
£/P\$	1.36	1.36	£/Q\$	1.36	1.36
£/Q\$	1.36	1.36	£/R\$	1.36	1.36
£/R\$	1.36	1.36	£/S\$	1.36	1.36
£/S\$	1.36	1.36	£/T\$	1.36	1.36
£/T\$	1.36	1.36	£/U\$	1.36	1.36
£/U\$	1.36	1.36	£/V\$	1.36	1.36
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£/I\$	1.36	1.36	£/J\$	1.36	1.36
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£/U\$	1.36	1.36	£/V\$	1.36	1.36
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£/O\$	1.36	1.36	£/P\$	1.36	1.36
£/P\$	1.36	1.36	£/Q\$	1.36	1.36
£/Q\$	1.36	1.36	£/R\$	1.36	1.36
£/R\$	1.36	1.36	£/S\$	1.36	1.36
£/S\$	1.36	1.36	£/T\$	1.36	1.36
£/T\$	1.36	1.36	£/U\$	1.36	1.36
£/U\$	1.36	1.36	£/V\$	1.36	1.36
£/V\$	1.36	1.36	£/W\$	1.36	1.36
£/W\$	1.36	1.36	£/X\$	1.36	1.36
£/X\$	1.36	1.36	£/Y\$	1.36	1.36
£/Y\$	1.36	1.36	£/Z\$	1.36	1.36
£/Z\$	1.36	1.36	£/A\$	1.36	1.36
£/A\$	1.36	1.36	£/B\$	1.36	1.36
£/B\$	1.36	1.36	£/C\$	1.36	1.36
£/C\$	1.36	1.36	£/D\$	1.36	1.36
£/D\$	1.36	1.36	£/E\$	1.36	1.36
£/E\$	1.36	1.36	£/F\$	1.36	1.36
£/F\$	1.36	1.36	£/G\$	1.36	1.36
£/G\$	1.36	1.36	£/H\$	1.36	1.36
£/H\$	1.36	1.36	£/I\$	1.36	1.36
£/I\$	1.36	1.36	£/J\$	1.36	1.36
£/J\$	1.36	1.36	£/K\$	1.36	1.36
£/K\$	1.36	1.36	£/L\$	1.36	1.36
£/L\$	1.36	1.36	£/M\$	1.36	1.36
£/M\$	1.36	1.36	£/N\$	1.36	1.36
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£/Q\$	1.36	1.36	£/R\$	1.36	1.36
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£/U\$	1.36	1.36	£/V\$	1.36	1.36
£/V\$	1.36	1.36	£/W\$	1.36	1.36
£/W\$	1.36	1.36	£/X\$	1.36	1.36
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£/Y\$	1.36	1.36	£/Z\$	1.36	1.36
£/Z\$	1.36	1.36	£/A\$	1.36	1.36
£/A\$	1.36	1.36	£/B\$	1.36	1.36
£/B\$	1.36	1.36	£/C\$	1.36	1.36
£/C\$	1.36	1.36	£/D\$	1.36	1.36
£/D\$	1.36	1.36	£/E\$	1.36	1.36
£/E\$	1.36	1.36	£/F\$	1.36	1.36
£/F\$	1.36	1.36	£/G\$	1.36	1.36
£/G\$	1.36	1.36	£/H\$	1.36	1.36
£/H\$	1.36	1.36	£/I\$	1.36	1.36
£/I\$	1.36	1.36	£/J\$	1.36	1.36
£/J\$	1.36	1.36	£/K\$	1.36	1.36
£/K\$	1.36	1.36	£/L\$	1.36	1.36
£/L\$	1.36	1.36	£/M\$	1.36	1.36
£/M\$	1.36	1.36	£/N\$	1.36	1.36
£/N\$	1.36	1.36	£/O\$	1.36	1.36
£/O\$	1.36	1.36	£/P\$	1.36	1.36
£/P\$	1.36	1.36	£/Q\$	1.36	1.36
£/Q\$	1.36	1.36	£/R\$	1.36	1.36
£/R\$	1.36	1.36	£/S\$	1.36	1.36
£/S\$	1.36	1.36	£/T\$	1.36	1.36
£/T\$	1.36	1.36	£/U\$	1.36	1.36
£/U\$	1.36	1.36	£/V\$	1.36	1.36
£/V\$	1.36	1.36	£/W\$	1.36	1.36
£/W\$	1.36	1.36	£/X\$	1.36	1.36
£/X\$	1.36	1.36	£/Y\$	1.36	1.36
£/Y\$	1.36	1.36	£/Z\$	1.36	1.36
£/Z\$	1.36	1.36	£/A\$	1.36	1.36
£/A\$	1.36	1.36	£/B\$	1.36	1.36
£/B\$	1.36	1.36	£/C\$	1.36	1.36
£/C\$	1.36	1.36	£/D\$	1.36	1.36
£/D\$	1.36	1.36	£/		

business

Scottish Media buys Grampian for £105m

Cathy Newman

Scottish Media Group yesterday announced a £105m deal to buy Grampian Television, heightening expectations that the few remaining independent Channel 3 companies, such as HTV, would be taken over before the end of the year.

Scottish, which offered Grampian shareholders cash or new Scottish Media shares, will make substantial cost savings. City analysts suggested that up to 50 jobs may go from Grampian's workforce of 200.

Scottish would not confirm the number of redundancies and said the formation of a Scottish Parliament would create job opportunities as the company would set up studios in Edinburgh.

Calum MacLeod, non-executive chairman of Grampian, and Donald Waters, chief executive of Grampian, will join the Scottish board. Mr Waters will continue in his current capacity until his retirement at the end of the year. It is thought he will not be replaced.

Scottish is to transfer all its

programme production to Grampian's Aberdeen studios, a move which will cut overheads by reducing the group's dependence on freelance and external facilities.

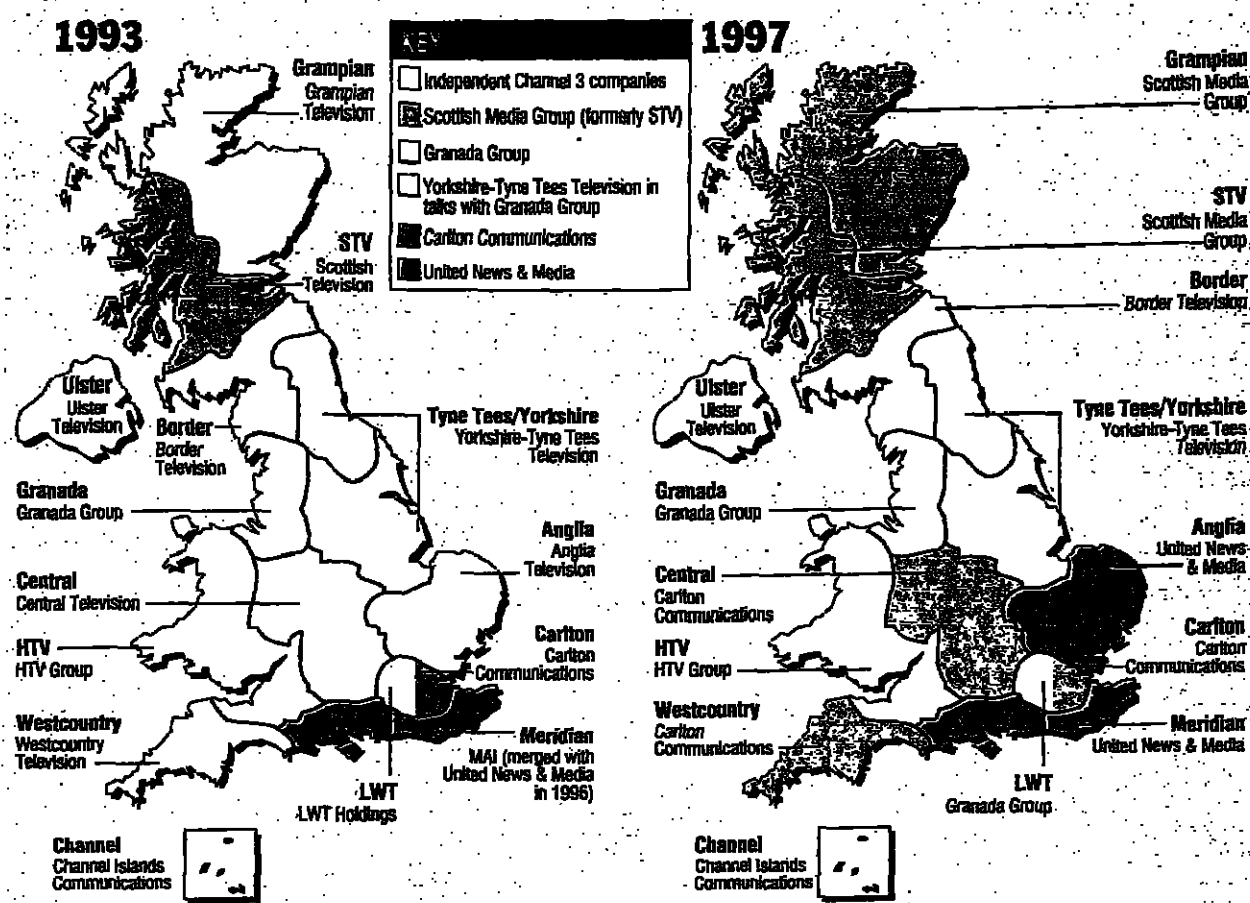
Andrew Flanagan, managing director, said the deal would provide advertising synergies between the two companies. He said: "We needed to get together to compete for advertisers on a pan-Scotland basis."

Of the five independently owned Channel 3 broadcasters, Yorkshire-Tyne Tees Television is likely to be swallowed up by Granada Group after the two confirmed on Monday they were in talks about a merger.

HTV's share price leapt 10p to 316.5p yesterday on City expectations that United News & Media would launch a bid by the end of the year. According to Henderson Crosthwaite, United, which already has a 29 per cent stake in HTV, would pay around 420p a share for the company.

Lord Hollick's company is forbidden from paying less than that until October, a year after

How the ITV map has changed since the last franchises were awarded



it upped its stake in HTV at a cost of 420p a share.

United may act swiftly to prevent other predators taking an interest. Although Carlton Communications would have difficulty taking control of HTV while United continues to hold a stake, it has established an ideal platform for a takeover of HTV with its purchase last year of Westcountry Television.

While analysts said United

could not afford to tread water for too long, they believed it may wait for the Independent Television Commission's decision on licence renewal before swooping. HTV pays the Treasury a hefty annual fee of £22m and is likely to be granted a reduction which would affect its market value.

Analysts said a purchase of HTV would leave Border Television as easy prey for either

Scottish or Granada, although Mr Flanagan said yesterday Scottish would prefer to expand by acquiring regional newspapers.

He said that while Border was "not a perfect bedfellow" and that all ITV companies were "healthily priced", there were significant opportunities in other media markets, and beyond Scotland.

Derek Terrington, media an-

alyst at Teather & Greenwood, said Scottish was playing down talks of expansion within the terrestrial television sector. "Scottish wants to complete the set by buying Border," he said.

The Labour MP for Aberdeen Central, Frank Doran, yesterday urged Margaret Beckett, the President of the Board of Trade, to refer the Scottish deal to the Monopolies & Mergers Commission.

Jarvis in talks to buy third railway group

Nigel Cope
City Correspondent

Jarvis, the construction group which has seen its shares soar following its move into railway maintenance, said yesterday it was in discussions which may or may not lead to a "substantial" acquisition. Though the company declined to identify its target, City speculation settled on Fastline, another railway maintenance company, as the likely candidate.

It would be Jarvis's third railway deal in little more than a year. The shares, which rose five-fold last year, edged another 5p higher to 296.5p.

With the acquisition tipped to be worth around £60m-£65m it would require a major rights issue, possibly of around £40m. Jarvis said it hoped to make an announcement shortly.

Fastline was formed through a management buy-out 15 months ago from the former British Rail business.

Its acquisition by Jarvis would be seen as a positive move for the once-struggling construction company.

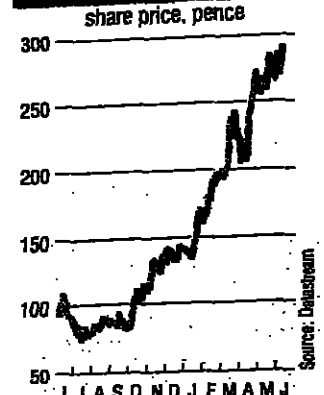
Two years ago Jarvis was a struggling loss maker with a share price of just 20p. But its fortunes have been transformed since its £9m acquisition last year of Northern Infrastructure (Nimco), one of seven businesses that carries out maintenance contracts for rail network operator Railtrack. Nimco has sales of around £140m largely generated from guaranteed Railtrack contracts. The other infrastructure maintenance companies have been snapped up by the likes of Balfour Beatty, Amey and Amec.

Last month Jarvis paid £4.9m for a half share in Relsys, the Scottish rail engineering company. It has the right to buy the other half for £5m. Jarvis made a loss of almost £5m in 1994 and profits of just £500,000 the following year. In April this year broker Peel Hunt upgraded its profits forecast for the year to March from £10m to £14.6m.

The transformation has proved a boon for Jarvis shareholders. Last year the company's shares were the second-best performers on the stock market, rising by 506 per cent to 142.5p. The meteoric rise has continued this year, during which time they have already doubled.

The privatisation of British Rail has been fraught with controversy with the government being heavily criticised for selling the various parts too cheaply. One of the first examples of this was when Stagecoach, the

Jarvis
share price, pence



bus and trains group, paid £825m for Porterbrook, the train leasing company, which had been bought by its management from the government for £527m just eight months earlier. That deal provided huge windfall gains for directors and the buy-out's major backers, Charterhouse Bank.

Other deals have also proved lucrative. Amec paid £25m for the South West Infrastructure Maintenance Company. Analysts expect that deal to provide profits of £3m-£4m this year.

In April Jarvis said its profits for the 15 months to March would "substantially exceed market expectations" thanks to building project gains and lower-than-expected rationalisation costs. Its projects include a contract to build a school in Dorset under the government's private finance initiative.

Severn to continue rebates despite tax threat

Michael Harrison

Severn Trent, the privatised water company, yesterday rejected the option of making householders pay for the windfall tax, saying it remained committed to "benefit sharing" between customers and shareholders.

The company pledged to continue with its five-year programme of rebates, worth £6.50 a year, irrespective of the levy

to be imposed by the Chancellor, Gordon Brown, in his first Budget next month.

At the same time, Severn Trent said it intended to increase the payout to shareholders by reducing dividend cover to two times earnings. It also confirmed it would seek authority at its annual meeting next month to complete the buyback of 10 per cent of its shares, having repurchased 5.6 per cent of its share capital last December.

Earlier this week, Hyder, the owner of Welsh Water and South Wales Electricity, said it might have to scrap customer rebates and discretionary spending on its network if the windfall tax was too high.

However, Vic Cocker, chief executive of Severn, said yesterday it remained firmly committed to benefit sharing, believing this was in the best interests of shareholders. He was speaking as Severn

announced a 5 per cent rise in pre-tax profits before exceptional charges last year to £391m and a 13 per cent increase in the dividend for the year to 36.5p. The group also disclosed it had reduced its leakage rates by a third to 16 per cent a year, ahead of the timetable agreed with the industry regulator, Ofwat.

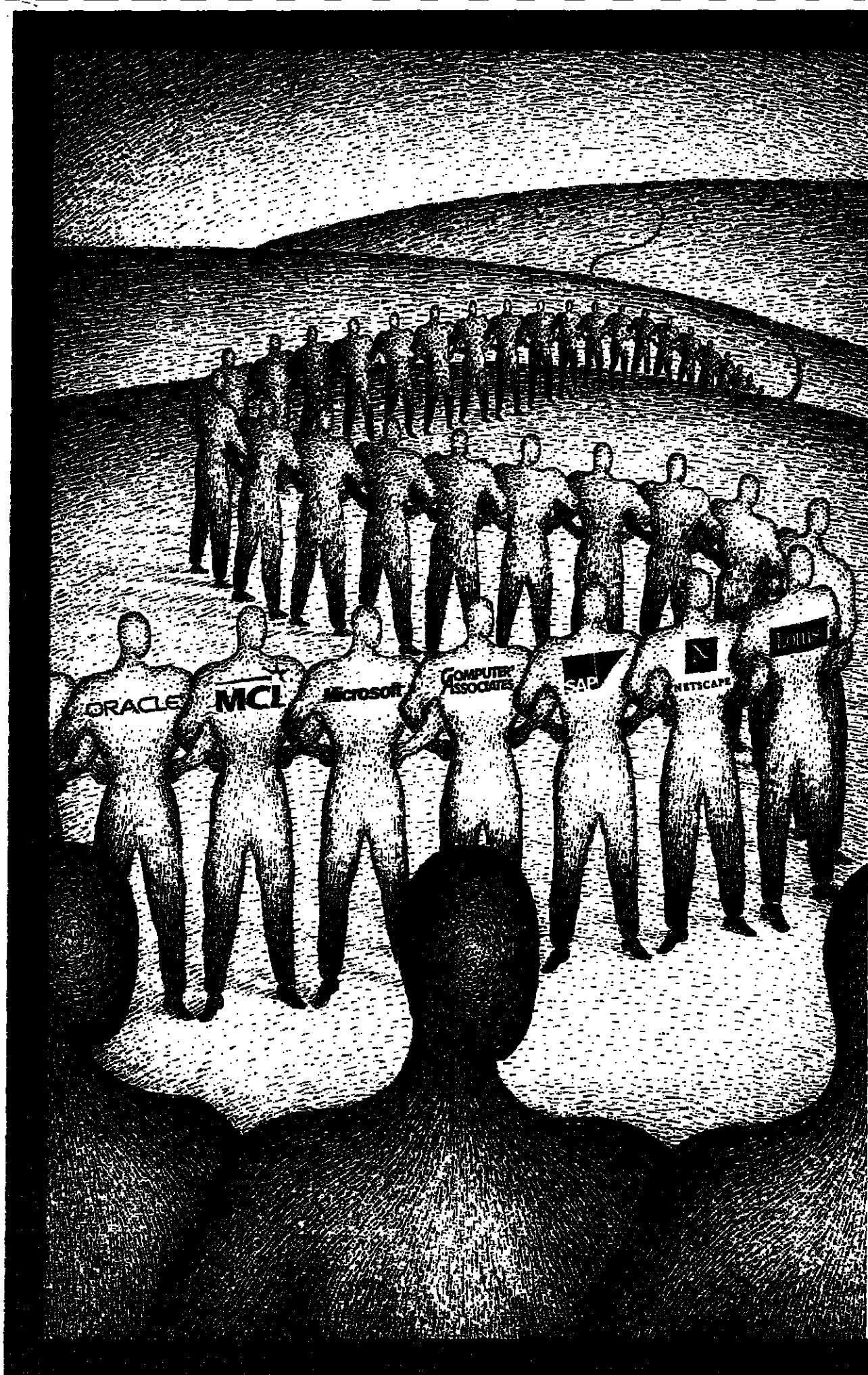
Exceptional charges included £20m in redundancy costs at the main regulated water and

sewage business, where the workforce fell by 1,100 to 5,650 in the year, and £4.5m of costs incurred through Severn's failed bid for South West Water.

The company said capital investment, at £412m, had exceeded after-tax profits from its regulated business by £95.6m while its unregulated businesses, principally the Biffa waste division, were responsible for nearly half of last year's profits growth.

Despite a lack of rain and increased water loss through evaporation caused by climatic changes, Severn was confident it would not have to impose restrictions on water supply.

Following the blocking of its bid for South West Water by the Monopolies & Mergers Commission, Severn said it intended to concentrate on a combination of organic growth and small to medium-sized acquisitions.



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COMMENT

The previous government surely did not foresee this extraordinary turn of events when it privatised the industry seven years ago. That was, however, the logic of its free-for-all mergers policy.

Americans plug into our electricity industry

It's a funny old world. Energy Group, formerly known as Hanson, formerly known as Eastern Electricity, formerly known as part of the CEBG seems to have changed hands more times over the last seven years than on price allowing, it's now about to change hands again and with it goes most of Britain's remaining hope of building up its own international force in electricity supply. John Devaney is one of the more impressive chief executives operating in this now highly fragmented industry and while no doubt an important role will be found for him in PacificCorp, he will in future be working for an American company.

Ian Lang's decision last year to prevent the two generators, PowerGen and National Power, from buying regional electricity companies (RECs) left the door wide open to US utility groups. The £1.5bn bid for Yorkshire Electricity, the last before the election, has left just Southern Electric as the only independently owned REC. If PacificCorp does buy Energy Group it will put an astonishing 8 RECs in American hands. For the record the other 7 are: Yorkshire, London, East Midlands, Northern, Midlands, South Wales, and Swelb. Of the remainder, two have been bought by water companies - Swalec, and Norweb - and a third by Scottish Power.

The previous government surely did not foresee this extraordinary turn of events when it privatised the industry seven years

ago. That was, however, the logic of its free for all mergers policy. The big question for the markets now is whether Labour is going to adopt the same stance. Certainly what it said in Opposition would lead you to the view that PacificCorp can expect a reference to the Monopolies and Mergers Commission.

Since then Margaret Beckett has said that competition concerns will continue to be the deciding factor in mergers policy and on that basis it is hard to see any good reason for stopping the Americans. The MMC would not have an easy time finding one. Nonetheless, it is sad to reflect on the fact that our only remaining standard bearers as mainland Europe begins the process of deregulating energy supply, look destined to be the two generators, National Power and PowerGen.

No disrespect meant to them, but what chance do they stand against the giant European monoliths and the increasingly aggressive Americans?

Bell tolls for ITV ... but not just yet

With everyone's sights firmly focused on the brave new world of digital TV, interactive TV and pay per view, it's a wonder that anyone can still summon up any interest at all in the boring old business of analogue TV franchises. For a very sizeable proportion of the population, however, analogue will remain the only method of TV

delivery for quite some years to come. While the ITV franchises may not be quite the licence to print money they once were, they've got a good 10 years of revenue earning ability left in them yet. The latest round of consolidation might further extend their life expectancy by allowing a more co-ordinated approach to competing with the BBC, satellite, cable and digital terrestrial.

Not that the three emergent winners in this market place - Michael Green, Lord Hollick and Gerry Robinson - make easy bed fellows. What co-operation they do manage to achieve is largely of the reluctant and forced variety. Even so, three powerful egos is an easier number to sit round a table than 10 and a more co-ordinated approach to scheduling begins to look that much more possible.

Lord Hollick's acquisition of HTV would represent the final piece of the jigsaw under present media ownership rules to fall into place. Whether he's prepared to pay the price is another thing, but he must draw some comfort from the game Granada has played over Yorkshire Tees. Yorkshire once claimed it was worth £17 a share. Last March Granada said it was not prepared to bid at the then price of £12.50. Now it looks set to clinch the company at just £11.75.

With Mirror Group's declared offside by the current crass-media ownership rules, Scottish is free to plough its own independent furrow north of the border. Its takeover of Grampian establishes a not inconsider-

able Scottish based media group. But if the next 10 years look set fair for this privileged little bunch of monopolists, the 10 years after that do not. By then the digital age will be well established and these franchises will be very much a wasting asset.

National Grid verdict will not end the story

Mr Justice Robert Walker has finally delivered his verdict on whether the electricity industry - specifically National Power and the National Grid - misused nearly £1bn of its pensioners' surplus, and rather surprisingly he has come down in favour of the companies. It is hard to see the matter resting there, however. For one thing, the pensioners have already had a favourable ruling from the Pensions Ombudsman, and although he's now being told he's wrong in law, the pensioners will continue to hold the moral high ground, believing that right is on their side. And for another, this is not a particularly good judgment. The judge rehearses the arguments well enough, but he fails adequately to explain why he's opted for one side over the other.

The argument hinged on whether the terms of the pension schemes allowed the companies to use the accumulated surplus for their own purposes, or most of it anyway. Most occupational pension schemes do, and while this invariably gives rise to controversy, there has always been a reasonable

underlying case for it. After all, in most occupational schemes it is the employer which makes the bigger contribution to the fund, so by rights he should therefore be entitled to at least a share of any surplus.

However, with these schemes the wording seems specifically to require that the surplus is used for the benefit of employees. Moreover, both National Power and the National Grid implicitly acknowledged that there were limits on the way they could use the surplus by tying it directly to the funding of redundancies, thus enabling them to claim that the money was a "benefit" to employees.

Aggrieved pensioners will certainly want to appeal and it seems right that they should be given that chance. Admittedly the surplus was used to fund very generous redundancy terms which might not otherwise have been available, thereby reducing the pain of the downsizing process, but it is hard to see how redundancy costs are anything other than an employers' liability.

Whether pensioners do take the case to the Court of Appeal rather depends on the trustees, who have so far been funding their legal costs. Both at the National Grid and National Power there is an unsurprising reluctance to see the case proceed any further. But what betide them if they get caught putting pressure on the trustees to end the campaigners' funding. That would make a mockery of all those post Maxwell changes in the law to give pension funds more independence from their corporate masters.

Unemployment figures 'not a big threat to inflation'

Diane Coyle
Economics Editor

Fears that falling unemployment will fuel higher wages and inflation are wildly exaggerated, according to a new report.

With new figures today expected to show a further big decline in headline unemployment last month, the report claims the Job Seekers Allowance (JSA) has distorted the official figures so much that they are an unreliable guide to the state of the labour market. According to Edmund Nonis, an economist at Nikko Europe, the threat of inflation posed by falling unemployment is far less than widely feared.

Since its introduction last October the JSA has distorted the headline figures, which simply record the number of people claiming unemployment benefit. The Office for National Statistics is reviewing the possibility of replacing this unsatisfactory measure with a monthly survey, an option rejected last year by the Conservative government.

Most economists have reckoned the JSA has cut the total by about 10,000-15,000 a month, which would mean the underlying level of joblessness is still falling very rapidly.

But the Nikko paper claims that half of the £20.0bn decline in the number of claimants between October and April has been due to the introduction of the JSA. This estimate, based on unemployment figures from the more reliable Labour Force Survey available up to February, is twice as big as the accepted size of the JSA distortion.

The average wage of those entering full-time jobs from unemployment is £11,500

It runs counter to the consensus among City economists, many of whom believe the jobs market is already starting to overheat. They point to the steady climb in average earnings growth, although today's figures are expected to show it remaining at 4.5 per cent in April. However, Mr Nonis concludes that the pick-up in the number of people leaving the

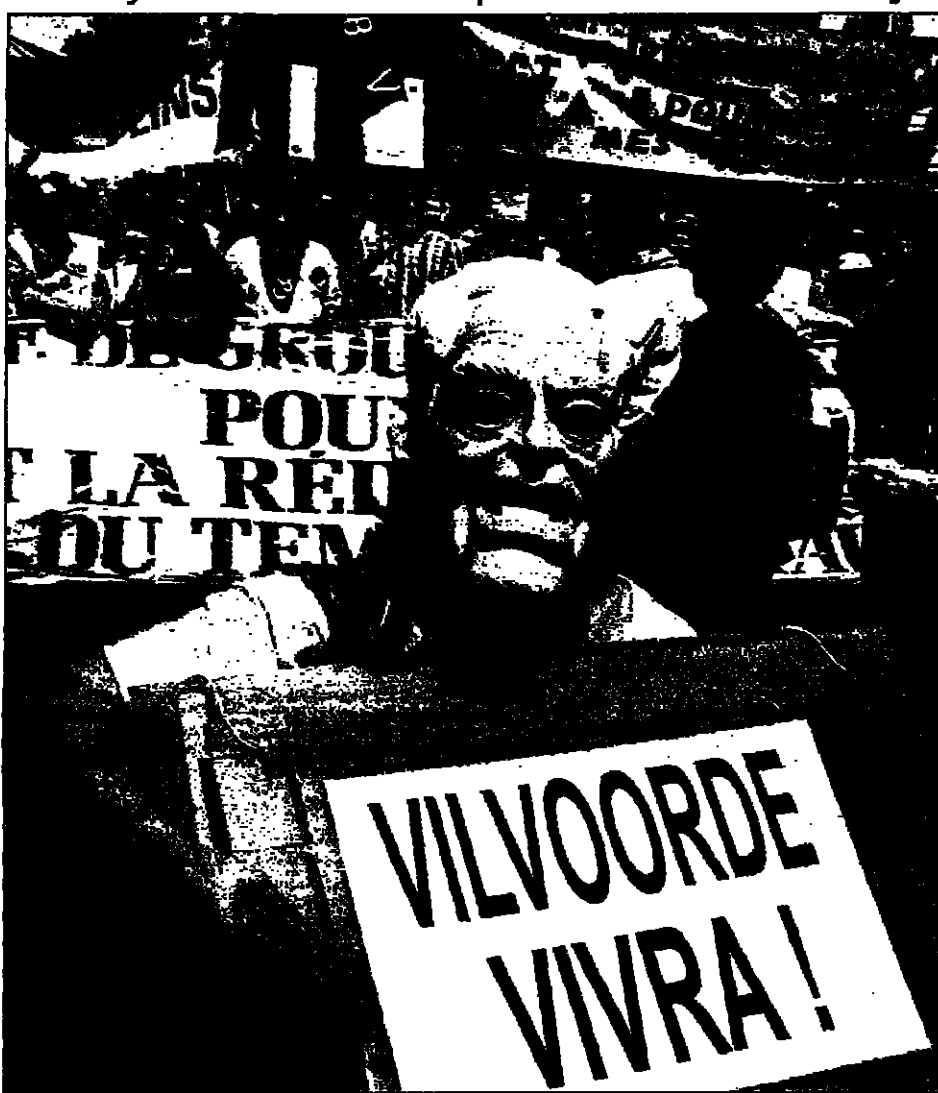
unemployment register is almost entirely due to the removal of fraudulent claimants. It does not, he argues, reflect any underlying change in the jobs market. The report goes on to argue that adding in people who are so discouraged they have stopped trying to find work could add another 2.5 million to the unemployment total, suggesting a "true" unemployment rate of more like 16 per cent of the workforce rather than the official 5.9 per cent.

The inflationary impact of falling unemployment will also be limited to the extent that new jobs are part-time, short-term and low-paid. Mr Nonis estimates the average wage of those entering full-time jobs from unemployment is £11,500 a year, two-thirds the national average.

He adds that withdrawing benefit for fraudulent claimants means that as many households are losing a second income through the loss of benefit as are gaining income by finding work.

The report concludes: "There is no doubt that as the labour market continues to strengthen, inflationary pressures will begin to emerge in certain areas due to skill shortages. But these will be limited by the untapped pool of unemployed that exists in the UK."

Study looks at Renault's plans to close car factory



Demonstrators at the Renault factory in Vilvoorde in Belgium received welcome news from the French car maker's annual meeting yesterday. Its board announced the appointment of a study to explore alternatives to the plans to close the site and cut 3,100 jobs. The workers also

received the support of French junior industry minister Christian Pignatelli, who said the government was happy there would be an objective study of Renault's plans. "We're not certain that what was announced a few weeks back by the company is essential," Mr Pignatelli said.

IN BRIEF

Inflation increases in Germany

Consumer prices in Germany rose by 0.4 per cent in May due to higher prices for food and energy. The annual inflation rate climbed to 1.6 per cent, reversing the declines of the previous two months. Inflation in other goods edged higher too, but in services declined. The weakness of the mark has driven import prices higher, but wage costs have been extremely subdued. Most analysts think the headline inflation rate will remain very low, leaving the prospect of an increase in German interest rates very distant.

Separate figures suggested that manufacturing activity in Europe is poised to pick up. The EU-wide survey of business confidence showed an improvement in order books, and expected production remaining well above last year's doldrums. The current levels of business expectations are the highest since mid-1994.

Lord Harris's son on Carpetright board

Martin Harris, the 28-year-old son of Lord Harris of Peckham, has been appointed to the main board of Carpetright, his father's retail empire. Mr Harris junior has been moved up from marketing manager and will take his seat on the board next week. Educated at Curry University in Boston, he was a director of Harvey's Furnishings, another Harris business, for three years before joining Carpetright in 1991. He has gradually been groomed for promotion and has been introduced to analysts and the press at recent City presentations.

Lord Harris was not available yesterday to answer any charges of nepotism. However, John Kitching, sales director, said: "Martin was largely responsible for the successful development of our new Carpet Depot format and his marketing flair will provide a valuable contribution to the future growth of the company."

Boeing strikes deal with Continental

Continental has become the third US carrier to name Boeing as its sole supplier of jets over the next 20 years following similar moves by American Airlines and Delta Air Lines. The company intends to buy 35 wide-body aircraft from Boeing, consisting of five 777-200 and 30 767-400ER planes. There are options for further purchases in the future. Terms of the agreement were not disclosed. Separately, American Airlines confirmed an order of seven Boeing 777-200ER aircraft to be delivered in early 1999 and 2000.

Salvesen shake-up 'has cost £200m'

Sir Gerald Elliot, the former chairman of the Christian Salvesen transport group, yesterday claimed that the current management's reconstruction proposals had so far cost shareholders around £200m. Earlier this year Sir Gerald led a shareholder revolt against plans to pay back £150m to shareholders and demerge the Aggreko generator hire operation. Speaking after Salvesen, led by chief executive Chris Masters, had addressed Scottish shareholders in Edinburgh yesterday, Sir Gerald backed up his latest claim by pointing to the collapse in the share price from around 325p to the current 240p, up 3.5p yesterday. "It shows that the belief that the demerger and paying back capital will unlock shareholder value has had exactly the opposite effect", he said.

Further round of provisions at Babcock

Babcock, the dockyard operator to engineering group which has been restructuring for at least five years, announced a new round of provisions totalling £25.6m. The decision to take a £23.7m charge to write off its investment in a Reas development project to process dust from electric arc furnaces was the main factor plunging the group to a £22m loss for the year to March, against profits of £3.1m before. The group is also talking to two buyers over a possible sale of the process division, which designs large-scale plants for the oil, gas and petrochemicals industries. Separately, Babcock said it would scale back its loss-making construction activities in South Africa. John Parker, chairman, said this would be his "final rationalisation of the portfolio." In line with the cut in the interim dividend, the final payment is halved to 0.875p, making 1.5p for the year.

Adtranz wins £17m train order from Prism

Prism Rail said contracts had been exchanged and firm orders placed with Adtranz, a joint venture between ABB Asca Brown Boveri and Daimler-Benz, for a £17m order for 44 four-car trains. The trains, which are all for Prism Rail's wholly-owned subsidiary LTS Rail, are to be made and maintained by Adtranz; they will be supplied on lease to LTS by Porterbrook Leasing Company for the remaining period of the franchise which is due to expire in April 2011. Lease rentals and maintenance charges have been fixed and will amount to £18.5m per annum, including interest fixing costs, once all the trains are in service.

Finance director resigns at BTP

Shares in BTP, the fine chemicals group, jumped 22p to 290p after it announced the appointment of Ken Greatbatch, formerly of Laporte, as finance director. Stephen Hannam, chief executive, said the resignation of Rob Martin, who had been finance director for 10 years, was by mutual agreement. He said BTP had reached a point where it needed a broad and global strategic outlook and a different style. The news came as BTP reported full-year profits up 8 per cent to £48m on sales 3 per cent ahead. Robyn Coombs at house broker Merrill Lynch was positive: "People have woken up to the fact that 60 per cent of BTP's profits is high-margin pharmaceutical and agrochemical intermediates."

Rush to beat Norwich Union deadline

Norwich Union members were queuing yesterday to beat the deadline to register for extra shares above and beyond the free shares they have already been allocated. The high level of interest means the shares are likely to start trading at well above the initial estimates of between 240p and 290p on which a 25p discount for members was based. IG Index, the City bookmaker, was yesterday quoting a spread of £3.37-£3.47, a level that would see Norwich float with a market value of almost £1bn more than original estimates of £5.6bn.

Dai-ichi board resigns over loans scandal

A mass resignation of main board directors was announced yesterday by Dai-ichi Kangyo, the third-largest bank in Japan and the fifth-biggest in the world, over the scandal involving £63m of loans made to Ryuichi Koike, an alleged corporate racketeer.

The resignations came as Tokyo police arrested four former Dai-ichi Kangyo executives, bringing to eight the number of former and current employees who have been arrested in connection with the loans.

According to reports in Japan, the arrests involved two former vice-presidents and two former lower-ranking bank executives. The reports said one of those apprehended was Kenji Tanaka, now president of Jusco, a supermarket chain.

Mr Tanaka was a managing director at Dai-ichi Kangyo from 1992 to 1995 when he headed the general affairs department. The other three arrested were reportedly Akira Kanazawa, a former vice-president of the bank, Tsuneo Uchida, a former vice-president, and Yasuyuki Torasawa, a former managing director who was responsible for screening loans.

The board of Dai-ichi Kangyo is the second corporate board to resign en masse because of the scandal since 15 top-ranking executives of Nomura Securities stepped down in April.

President Katsuhiko Kondo, 59, and Tadashi Okuda, the 65-year-old chairman who last month said they would step

down and stay on the board as advisers, will resign altogether from Dai-ichi. The two vice-presidents who were to replace them, Ichiro Fujita, 58, and Yoshiharu Mami, 60, will also resign. Between April 1995 and March 1996, Mr Fujita was in charge of loan screening, an operation police are investigating for connections to Mr Koike.

Katsuyuki Sugita, 54, will take over as the bank's president at the annual shareholders' meeting on 27 June, when the current president and seven other top-ranking executives formally step down to take responsibility for the scandal. Another 16 employees, including branch managers, department chiefs and auditors, also would resign, the bank said.

The bank said the new board of directors would be made up of Mr Sugita and 15 other junior executives. The bank has not yet appointed a new chairman. Those selected "were found not to be involved in the current scandal by an internal investigation," Mr Sugita said yesterday.

"Any change of leadership would be good for the bank at this point," said Nozomu Kunishige, an analyst at Lehman Brothers Japan. "They need people without the taint of the scandal."

The executives below board level who resigned were asked to do so because the internal investigation found evidence that Mr Koike, said Mr Sugita.

Indonesian group buys SR Gent

Nigel Cope

SR Gent, the struggling Marks & Spencer supplier, has been acquired by Indonesian-based group Prospero Investments. The company has been in bid talks since last October.

Prospero is offering 82p per share in cash for the company, valuing it at £30.6m. Peter Wolff and Peter Wetzel, SR Gent's founders who own 62 per cent of the shares between them, have agreed to the deal, which values their combined holdings at £18.4m. The shares closed 8p higher at 79.5p. They stood at more than 100p two years ago.

Prospero, which is controlled by the Indonesian en-

trepreneur Marimutu Sini-vasan, plans to review Gent's manufacturing and stock control processes. However, it says it is committed to Britain as a base for quality manufacturing.

SR Gent supplies M&S with ladieswear such as blouses, dresses and skirts. This business accounts for 90 per cent of the company's sales.

The deal marks the end of a sorry period for SR Gent. In October it announced that it was in crisis talks with its bankers and that it had received at least two takeover approaches.

That announcement delayed publication of the company's full year results. They were an-

nounced in November showing an £11m loss caused by £16m of exceptional costs for the closure of the Clothing Barn shops. In April it announced interim losses of just under £1m compared with profits of £2.8m last time.

The shares have been hit hard. In September the company's shares plunged by 41 per cent when it revealed the cost of the Clothing Barn closure. There were seven stores at the group's factories which sold surplus factory stock. The shops had been hit by weak sales and poor margins.

That withdrawal was the second time SR Gent had been forced into a retreat from the high street. In 1994

it took a £7m provision to pull out of the Susan Woolf fashion stores. Those costs pushed the company into a £4m loss that year.

Other problems in the business have included weather-related trading difficulties and a weak South African economy which had damaged sales there.

City speculation on the likely bidder for Gent had also mentioned Claremont Garments, another M&S supplier.

Gent shareholders were asking for a substantial premium to the market price due to its valuable contracts with M&S, thought to be worth £150m a year.

N Brown chief raises £50m in share sale

Magnus Grimond

Sir David Alliance, chairman of the N Brown catalogue retailing group and one of Britain's richest men, yesterday raised £50.8m from a share sale to move funds offshore to beat the new Labour Government's first Budget next month.

Family trusts controlled by Sir David and his brother Nigel, another N Brown board member, sold 12.7 million shares at 400p yesterday, taking the family holding below 50 per cent for the first time since the Manchester-based group floated in 1970. The disposal reduces the family-controlled stake from 57.3 per cent to 48.6 per cent.

Explaining the move, Jim Martin, the group's chief executive, said in a statement to the

Stock Exchange: "The reduction in the Alliance Trust Holdings will increase the liquidity in the company's shares and broaden its register."

While the free float of shares in the company has always been tight, it is understood that Sir David has decided to broaden his investment portfolio in anticipation of concerns surrounding the Budget on 2 July. It is thought that he will use the money raised to push more of his assets offshore to beat Labour's plans. Analysts are expecting the Chancellor of the Exchequer, Gordon Brown, to cut advance corporation tax, which could hit the value of shares.

Yesterday's sale, carried out by brokers UBS and Barclays de Zeeuw Wedd, left the shares just 1p down at 413.5p.

Computer float could leave chief worth £42m

Humayan Mughal, managing director of the specialist computer manufacturer Akhter, will be worth up to £42m when the group floats on the London Stock Exchange this summer.

Harlow-based Akhter, which is raising £20m in a placing, will be valued at £60m, writes Sameena Ahmad.

Mr Mughal, who with his wife founded the company in 1979, will have his shareholding diluted to around 70 per cent after the float from 83 per cent.

Though almost two-thirds of the group's business is manufacturing personal computers, Mr Mughal said it was not affected by slowing demand for PCs: "We make very specialised systems exactly to customers' requirements. We don't stock

finished computers and then have to sell them off at a discount."

Akhter is also developing a higher-margin consultancy and services business. This year the group made £5m of profits before exceptional items on £36m of sales, just 3 per cent up on 1996.

More than half of Akhter's business comes from central government and the Ministry of Defence, for which it makes portable hard drives which can be removed from computers for security purposes over 25,000 times without wearing out.

The heavy dependence on government work means that around 75 per cent of Akhter's sales come in the second half of the year, with most in the last two months.

THE INVESTMENT COLUMN

Age Group	Percentage of Respondents
18-24	~48%
25-34	~45%
35-44	~41%
45-54	~37%
55-64	~38%
65-74	~32%
75-84	~28%
85-94	~27%
95-104	~26%

Year	Average Annual Number of New Cases
1982	255
1983	275
1984	285
1985	285
1986	205
1987	225
1988	215
1989	205
1990	195
1991	185
1992	195
1993	205
1994	225
1995	205

group's capital spending costs were financed by £11m of operating cash flow and although gearing is 37 per cent, interest is covered 9.5 times by operating profit.

The group has also protected itself against a hike in interest rates over the next five years by capping £25m of borrowings at 9 per cent interest.

Paul Heath at UBS has increased his profit forecast from £9.2m to £10.5m. On a forward p/e ratio of 13, the shares stand at an 8 per cent discount to the hotels sector. They deserve better. Good value.

PEOPLE & BUSINESS



He became an executive director in 1994 and was responsible for Crestco, the settlement system which replaced the ill-fated Talisman. He has now retired and is being put out to grass at NatWest Bank, where he becomes one of 17 members on the full-time board from September 1. He will also be a member of the board of NatWest Markets and the audit and compliance committee.

He admits to being able and willing to deliver lectures in both French and German, although he prefers to negotiate in English. His interests include art, jazz and walking, and he is chairman of the trustees of Blind in

months ago when the then Chancellor stood on its head a long-standing Treasury plan to make classic car owners tax their cars whether they were on the road or not. Since January last year the 160,000 cars that are still roadworthy after 25 years can be licensed free of charge.

Many owners initially suspected this would result in them being restricted to limited mileages, but so far the gift horse has withstood scrutiny. They now face an anxious wait until Gordon Brown has sat down on July 2 just in case he tries to reverse the concession. If so, I hope he feels the lash of Mr Clarke's tongue.

Clifford Gorman

Clifford German[illegible]

Cortecs blood test approved in Japan

Anglian Group makes a good recovery

A recovery in annual pre-tax profits from £4.38m to £20.18m at Anglian Group, the replacement windows business, was accompanied by a partial restoration in the dividend total from 7.5p to 9p. The dividend last year was cut from 10p when profits came out well short of the £21.1m made in 1994/95. The company's chairman, Eddie Boss, said the introduction of a specialist sales force in the retail home improvements market would help it continue its progress in the current year.

Profits fall at Charles Stanley

A fall in full-year pre-tax profits from £2.53m to £2.07m was reported by Charles Stanley, the stockbroking, corporate finance and investment management group. In a statement, the company said: "It is difficult, as always, to predict the outcome for the full year, but we nevertheless look ahead with optimism." Earnings per share fell from 17.18p to 13.64p. Final dividend is 0.25p.

Whitehead Mann upbeat on prospects

Scottish Highland makes £749,000

Magnus Grimond

Great Portland Estates, the property group, warned yesterday it might be forced to revisit its high dividend policy if Labour reduced advance cor-

Nan Rogers, an analyst with brokers Charterhouse Tilney, said Great Portland was flagging that it might cut its dividend. That would be a radical change for a company that has in the past been seen as an "income stock," she suggested.

Richard Peskin, the company's chairman, said he was waiting to see the Government's review of corporate taxation but "should substantive measures be taken to alter the current relationship between the levels of corporation tax and tax credit on dividends, your board may find it appropriate to reconsider its existing dividend policy."

But he said the group's effective rate of taxation was 25

Company Results				
	Turnover £	Pre-tax £	EPS	Dividend
Amersham (F)	426m (251m)	65.5m (35.0m)	83.8p (52.2p)	22p
Anglian Group (F)	208m (214m)	20.1m (14.5m)	18.5p (13.5p)	9.0p (7.5p)
Babcock Int'l (F)	646m (723.4m)	-22m (1.2m)	-14.7p (8.47p)	1.5p (3.0p)
Balfour Beatty (F)	5.61m (6.7m)	627m (607.77.3m)	2.26p (2.42p)	5p
BBS Group (F)	333.2m (316.8m)	12.53m (10.50m)	30.25p (27.7p)	21.5p (20.0p)
BTSP (F)	404.5m (382.1m)	48.2m (57.6m)	20.25p (19.83p)	11.75p (11.25p)
Charles Stanley Grp (F)	17.35m (15.86m)	2.07m (2.53m)	13.64p (11.18p)	3.82p
Compassionate Retirement (F)	11.42m (10.17m)	2.51m (1.85m)	65.5p (57.5p)	8.85p (8.25p)
East Valley Group (F)	13.29m (11.2m)	4.56m (3.5m)	30.5p (30.42p)	18p (14.5p)
Drummond Group (F)	36.7m (46.4m)	1.5m (1.2m)	5.17p (5.01p)	2.0p (1.5p)
Firestone (F)	551.5m (556.3m)	5.1m (22m)	16p (7m)	5.5p
Great Portland Est (F)	(-)	48m (47.5m)	14.6p (16.0p)	9p (9p)
Hodding Plasterers (F)	59.5m (65.8m)	5.43m (6.4m)	23.3p (20.3p)	7.4p
Leeds Group (F)	93.5m (91.2m)	5.03m (3.27m)	8.7p (4.7p)	2.5p
Woodward-Holts (F)	40.5m (35.5m)	2.76m (4.7m)	12.91p (8.25p)	4.3p (3p)
Marshall's (F)	238.2m (237.4m)	19.51m (25.94m)	7.85p (12.45p)	5.5p (5.25p)
North Healthcare (F)	767.00m (487.00m)	83.00m (119.5m)	2.4p (7.1p)	3.0p (3.75p)
Northgate Group (F)	1.85m (1.95m)	128.3m (119.5m)	16.13p (14.85p)	8.4p
Scottish Highland (F)	3.76m (7.28m)	74.00m (275.00m)	2.5p (2.75p)	1.2p
Sevens Trust (F)	1.21m (1.16m)	367m (67.2m)	67.25p (32.5p)	22.85p
Striking Group (F)	101.82m (98.58m)	5.12m (6.1m)	3.85p (4.85p)	2.2p
Tennant (F)	18.12m (15.51m)	2.65m (1.1m)	0.45p (2.25p)	0.08p
Unilever Group (F)	177.3m (187m)	14.98m (12.75m)	34.3p (31p)	20p
Unilevered House (F)	17.05m (12.77m)	1.95m (1.1m)	7.46p (5.95p)	4.3p
Widney (F)	18.68m (18.61m)	-167.00m (712.00m)	2.04p (4.07p)	-1.4p (1.1p)
Yates Products (F)	75.75m (61.16m)	10.51m (7.47m)	21.5p (7.4p)	4.25p (3.8p)

Taking Stock



DEREK PAIN

closed Nasdaq was a shade lower.

❑ **McBride**, the detergent maker, foamed 11p higher to 135.5p as Wassall emerged as a near 3 per cent shareholder. The shares were 215p in 1995. Wassall, easier at 326p, has 5.6 per cent of TIG, the lighting group which had been seen as its next target. TGI held at 75p.

Technoplast, the Israeli plastic group, held at 97.5p. Henderson Crosthwaite says the shares are a strong buy. Profits should be £2.4m this year and £3.2m next. The company has three investments worth £18m against a £24m capitalisation.

Bradstock put on 6p to 84.5p, highest for two years. The insurance broker has trading links with Hong Leong, a Malaysian group. There is talk it is increasing its 4.7 per cent stake.

Although many financials were again in the money, some of the more neglected Footsie constituents for once made strong progress.

LucasVarity's display was ahead of an analysts' presentation today. Up to 40 analysts, some from the US, are set to meet company executives at the group's Perkins diesel factory at Peterborough.

The suspicion is LucasVarity, with first-quarter results due, will have a good tale to tell and the market is intrigued by the expected US contingent.

Footsie closed for the first time above 4,700 - up 52.9 points at 4,739.6. New York, hitting new peaks in London trading, Continental, particularly German, buying and a strong futures market fuelled the advance.

But again it was very much a market of haves and have-nots. Blue chips hit the high road but the rest limped, often miserably, behind. The FTSE 250 index, up 13.2, is more than 200 below its peak and the

Energy Group, the former Hanson company, could collect a bid of more than 700p from the US Pacific-Corp. Energy shares closed at 580p, up 18.5p.

There was talk some fund managers, growing increasingly disenchanted with non-Footsie shares, were selling them to buy blue chips.

The temptation to stick to market leaders was also evident in New York. Although the Dow Jones Average was in record territory when London

BT, with Merrill Lynch hanging a 500p target, gained 12p to 482.5p and Smith Industries put on 7p to 784.5p ahead of an analyst meeting.

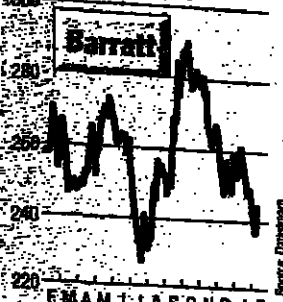
For BTR it was another day in the dumps - down 2p to 184.5p. At one time the price hit 180.5p.

Financials moved ahead although their exuberance fell below earlier efforts. Abbey National rose 12p to 895.5p, Halifax 13p to 762p and Standard Chartered 13.5p to 972.5p. National Westminster Bank

Morrison Construction was little changed at 290p as 14 per cent of the capital was placed at 275p by directors: N Brown

High Point, a property consultant, surged 30p to 57.5p; a restructuring, including a £7.7m cash call, is under way.

Share price, pence

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BENSON AND HEDGES CUP: Home counties pair put their Midlands rivals to the sword to reach Lord's final

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Stone may not be ready for action until October

Football

TOMMY STANFORTH

Nottingham Forest's England midfielder Steve Stone is undergoing a spell at the Football Association's rehabilitation centre at Lillishall as he tries to recover from a persistent knee injury.

Stone has been out of action since suffering a freak injury against Leicester at the City Ground last September and a

snapped patella tendon forced him to miss Forest's vain fight against relegation. He has already ruled out the possibility of a return to action in time for the 1997-98 kick-off in August but is now stepping up his rehabilitation programme.

Stone said: "I am hoping to join in with the pre-season work with the rest of the lads but you are probably realistically looking at September or October before I am available to play first-team football."

Stone's enforced absence was one reason for Forest's demise, but he is confident they have the ambition and spending power to make a strong push for an instant return to the top flight.

The Nigel Wray, Phil Soar and Irving Scholar consortium made £17m available for new signings when they took charge in February and the only major outlay so far has been £4.5m for the striker Pierre van Hooijdonk from Celtic. Stone added: "The club didn't spend all the mon-

ey that was available before the transfer deadline in March because they didn't want to get in people who maybe they didn't want in the long run. But Pierre van Hooijdonk looked a good acquisition and we are hoping the club will bounce back as quickly as possible from the disappointment of relegation."

The Birmingham City manager, Trevor Francis, must wait until next month to see if his club-record £2.5m bid for the Stoke striker, Mike Sheron, has

been successful. Stoke will not do any transfer business until they have appointed a successor to Lou Macari as manager at the Victoria Ground.

Stoke's chairman, Peter Coates, said: "Mike is still a Stoke player and we have made the position quite clear. We have had offers for him, but the matter will be left until we have appointed a new manager."

The Derby County manager, Jim Smith, has received a welcome boost with two players

committing themselves to new long-term deals at the club. The defender Gary Rowett, 23, has signed a new four-year deal while the 25-year-old midfielder Paul Trollope has signed a contract which will keep him with the Rams until the year 2000.

Aston Villa's record signing, Stan Collymore, will make his first appearance for the club in this country in a pre-season friendly against Wycombe Wanderers at Adams Park on 18 July. The appearance of Colly-

more is expected to guarantee a bumper crowd for the Second Division club as Villa fans travel down the M40 to see Brian Little's £7m signing from Liverpool for the first time.

Collymore has already worn a Villa shirt when he appeared - and scored - during the end of season tour of the United States last month. Wycombe are managed by the former Villa coach, John Gregory, who saved the club from relegation last season, and Little said: "It

should be a nice way for Stan to start his career in this country."

Villa have away games against Partick Thistle and Motherwell, while on 28 July they play at Kidderminster Harriers in a testimonial for the GM Vauxhall Conference club's long-serving manager, Graham Allner.

Little, meanwhile, will return from holiday in Spain at the end of the week to step up his plans to bring in further new blood - he has around £15m at his disposal.

Lee's feat keeps Henman company

Tennis

MATT TENCH reports from Queen's Club

On the day that Tim Henman reached the third round of a tournament for the first time in nearly four months, his thunder was stolen by a Briton three years his junior for whom playing in any round of a senior tournament is something of a novelty.

Martin Lee is 19, supports Millwall, and sports a yellow and blue shirt that gives football kit manufacturers a bad name. If you saw him in the street you might think he was a callow teenager who looked at the ground too much. But the Londoner was the best young player in the world a year ago, has a brilliant natural talent, and after a period of adjustment is using the Stella Artois Championships to announce it to his elders, but not necessarily his betters. On Monday he beat Andrei Olhovskiy, the Russian grass-court specialist who is ranked 354 places above him at 146. That victory was Lee's best for precisely 24 hours, because he yesterday dispatched the American Alex O'Brien, the world No 34, to claim an unlikely place in the third round. Much more of this and Henman and Greg Rusedski may soon have another Briton joining them in the game's upper reaches.

As has become his custom, Lee indulged in the sophisticated psychological ploy of dropping the first set against

O'Brien, though yesterday's 6-3 reverse was hardly in Monday's 6-0 class in the false sense of security stakes. O'Brien, for whom the word solid summed up his appearance and his game, took the set gratefully, vociferously supported by a small group in the front row for whom there appears to be a small corner of a foreign field that will be forever Texas.

Lee responded by breaking O'Brien in the first game of the second set, but was immediately broken back, and while the left-hander displayed a far greater range of shots, O'Brien's experience prevented a second breakthrough. The crucial moment came with Lee trailing 0-30 at 5-5 when the umpire overruled a line call which would have granted the American three break points. O'Brien was infuriated, but Lee kept his cool and won the next four points. "That really got me up," Lee said. And he went on to win the tie-break.

After another exchange of breaks in the final set, Lee, who like just about every other British tennis player these days looks like he could do with a square meal or two, made a decisive move at 4-4 when a lovely running backhand converted his third break point. He served out comfortably and his 3-6, 7-6, 6-4 victory was greeted with raucous applause on Court One, though O'Brien left still complaining bitterly about the overrule.

"I'm getting mentally tougher," Lee said. "In quite a

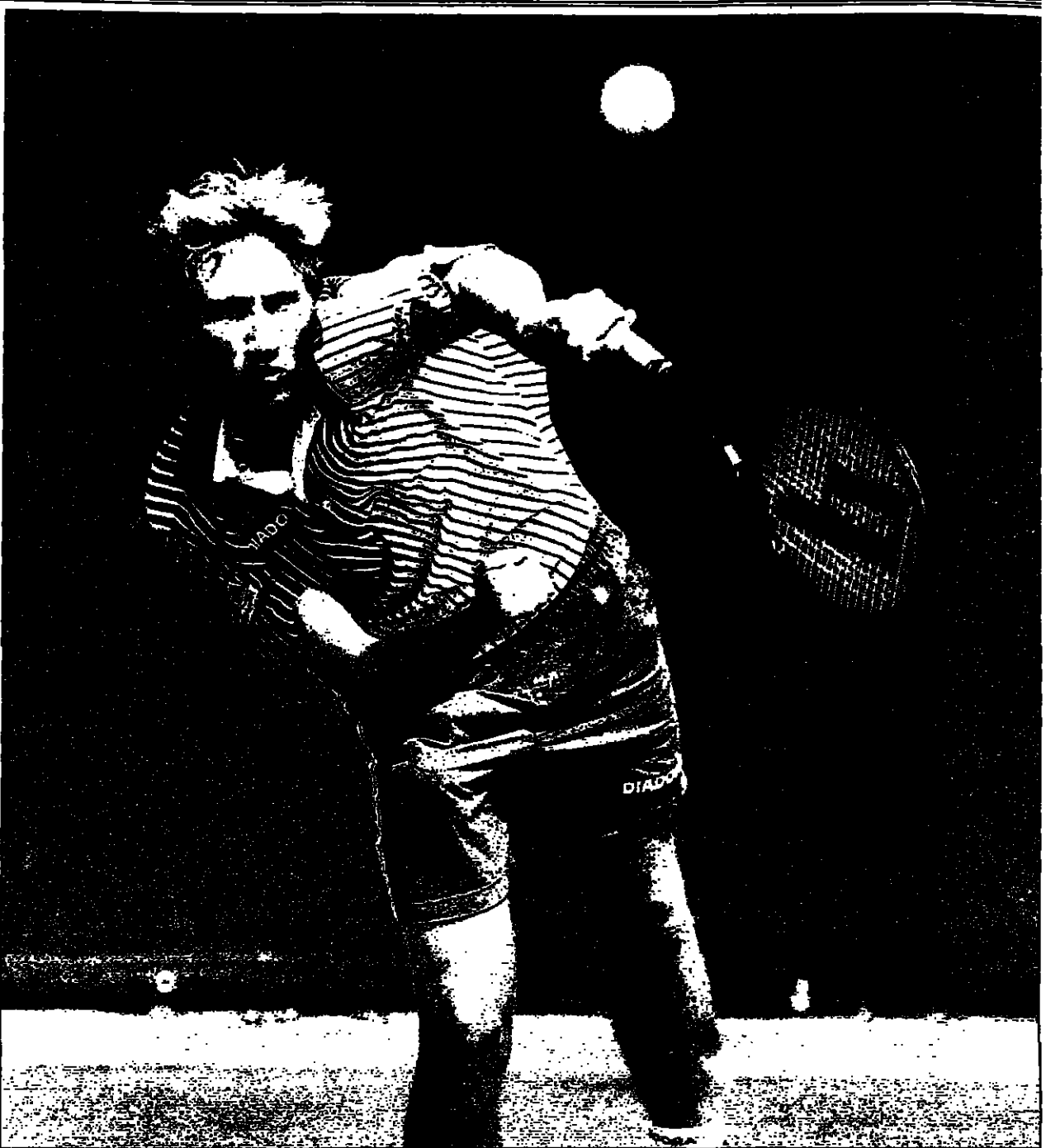
lot of matches I've been very close and lost 6-4 in the third. But I felt very confident today." Henman was one of many fellow countrymen impressed by Lee's performances this week. "They show a lot of character. This is a breakthrough for him," he said.

Having begun the week with 46 points, Lee will soar up the rankings having already gained another 34 here. His next opponent is likely to be Goran Ivanisevic, against whom Henman had just one piece of advice: "Hold your own serve."

Henman himself adopted the Lee route to victory, dropping the first set before beating Andrew Richardson 4-6, 6-3, 6-2. It was a welcome return to form for the 22-year-old who has struggled since his elbow injury, losing three out of four matches on clay.

In his fellow Briton, Henman knew he faced an opponent who knew his game intimately from the hours the two have spent on the practice court together. They are old friends, and even ate together beforehand, but once the match started neither betrayed any sign of undue amiability. "Out there, it's business," Henman said.

Business went Richardson's way early on but once Henman had adapted to the bustling conditions his sharper volleying brought a comfortable victory. With Henman and Lee through, Briton had two players in the third round for the first time in the history of these championships.



Martin Lee fires a return at Alex O'Brien on his way to victory at Queen's Club yesterday

Photograph: Peter Jay

Transfer row for Venables

Terry Venables is facing another controversy, which could conceivably cost him his job as the Soccer Australia coach, after allegations he was involved in transfers of Australian international players to Portsmouth, a club he is chairman of and partly owns.

Several Australian clubs are to draft letters of complaint to the Soccer Australia board alleging a conflict of interest by Venables. The clubs are citing a 1994 report about alleged corruption in transfer dealings. The report, written by Donald Stewart, a former Supreme Court judge, incorporates a Soccer Australia code of conduct that covers players and officials. Any breach of it is subject to disciplinary action. In part it says squad members, including coaches, shall not involve themselves in any way in transfers of any player eligible to play for Australia to an overseas club.

Portsmouth are believed to be buying at least three members of the Australian national squad, including the former Leicester and Wolves goalkeeper, Zeljko Kalac, the midfielder, Robert Enes, the utility player Hamilton Thorp, and possibly, a defender, Matthew Bingley. The Pompey manager, Terry Fenwick, watched the players on videotapes given to him by Venables, who said: "There's no conflict in me being chairman of Pompey and coach of the Australian national side. Terry Fenwick has made the decisions on these players. I just sent him some tapes and he looked over them."

The letters of complaint will be discussed by the Soccer Australia board later this month.

'Adela's fine figure in dress rehearsal

Sailing

STUART ALEXANDER

It was almost the same as 146 years ago in the Solent yesterday, as in solitary splendour, the 170ft schooner Adela powered her way to the Royal Yacht Squadron finishing line at Cowes after racing round the Isle of Wight. In time-honoured tradition there was no second, the next boat being but a shape appearing out of the gloom, miles behind at Yarmouth.

On the wheel was America's best-known skipper, Dennis Conner, at his shoulder Britain's Peter Bateman, and strewn all over the lovingly laid track decks, and in the warmly paneled interior below, were nearly 50 crew and guests.

There was little to console the British in 1851 when the schooner America, on 27 August, beat the best of Britannia to win the 100-gun race that was to be turned by the New York Yacht Club into the America's Cup.

She, too, won easily in a project to prove that the new world could beat the old. At least Adela was built in Britain, recently restored at the Penderis shipyard in Falmouth and modified from the 1903 version designed by William Storey and built at Northam, Southampton. In a grandstand finish, beating along the green into 12 knots just south of east, the towering sails made the houses seem small as the cannon signalled a time of 6hr 4min. It was over an hour before the next yacht, the 135ft Saryyah finished. The next pair, the 183ft three-masted Adis, built in Spain in 1984, and the 135ft Mariette, built by Nat Herreshoff, were separated by 19 years in age but only 62sec on the water and Mariette started 20min after Adis.

Rich men's placings, it seems, do not change. But this time the replica of the schooner America was last of the nine to complete the east-about 50-mile course in what was also a dress rehearsal for a 150th anniversary race in 2001.

American pair may defy IAAF

Athletics

Mary Slaney and Sandra Farmer-Patrick, who have been suspended by the International Amateur Athletic Federation for alleged drug use, may both still compete in the US Championships which begin today at Indiana University.

Slaney has been entered in the 1500 metres and 3,000m, while Farmer-Patrick is due to run the 400m hurdles. They con-

test the ruling by the IAAF, but if USA Track and Field, the governing body in America, denies them the right to compete they could go to court. If USA Track and Field allows Slaney or Farmer-Patrick to enter, the IAAF might threaten to suspend any athlete who competes against them.

"I have not yet made a decision," Slaney, who has been carrying an injury, said. "My leg's feeling better, but I'm not sure about that other stuff." Farmer-Patrick was more certain. "Most

definitely, I will declare [for the meeting]," she said. "I hope they will allow me to compete." The meeting determines the US team for the World Championships in Athens in August.

The British shot putter Paul Edwards, banned and sent home from the 1994 Commonwealth Games after failing a drugs test, will find out on Friday whether he can return to international competition in preparation for the World Championships.

Edwards has always protest-

ed his innocence and is applying to the High Court to allow him to return 14 months early. Edwards is claiming it was illegal for him to be treated differently to German and French athletes who have been reinstated under their own national laws after just two years of initial four-year bans.

Liz McColgan is to attempt to break the British 10 mile record in this year's BUPA Great South Run in Portsmouth on 5 October.

Kankkunen lets Sainz through to win

Rallying

Carlos Sainz, of Spain, raced into contention for a third world championship title yesterday when Juba Kankkunen was ordered to pull over to let his senior Ford team-mate win the Acropolis Rally in Greece.

Sainz crossed the line for his first victory this season, beating the Finn, who had led for most of the race, by 17 seconds.

"This result proves many things and it is a wonderful day for everyone in the team," Sainz said. Britain's Richard Burns, in a Mitsubishi, was initially given third place, but was later dropped to fourth because of Ford's and Sainz's first win since Indonesia last year.

Sainz had spent much of the rally behind Kankkunen, after losing more than a minute on the first day when he slid into a

bank on the fourth stage. On the second day, though, he set the fastest time on six of the day's seven stages to start the final leg 37 seconds behind Kankkunen. The Spaniard reduced that gap steadily over the final day to move to within 16 seconds of the lead on the 18th stage, before Kankkunen allowed him to take the lead. The Finn came home second to give Ford their first one-two since the Rally of Portugal in 1993.

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Tobacco ban 'to cost Europe eight races'

Motor racing

Growing pressure to ban tobacco advertising could cost western Europe all but four of its Formula One races, including the two in Italy, according to the Formula 10 mile race, Bernie Ecclestone.

"Italy will lose Monza and Imola, but without these sponsors all courses are in danger of dying," Ecclestone said in an interview published Tuesday in the Turin newspaper *La Stampa*.

La Stampa is controlled by the Agnelli family, which also owns Fiat, the car manufacturer, and its Ferrari subsidiary.

Ecclestone said the number of Formula One races in western Europe could dwindle from 12 to four if tobacco companies are prohibited from advertising.

"Without this financing, some major teams couldn't continue their sporting activities," he told *La Stampa*.

Williams, who have won eight Formula One constructors' ti-

ties - including four of the last five, has Rothmans cigarettes as its title sponsor, and Marlboro sponsors the annual Grand Prix Guide.

Few other industries, Ecclestone added, can afford to spend as much as the tobacco companies. "If they have to abandon the field, it would be a disaster," he said.

The anti-smoking movement in Europe gained momentum recently when the new Labour government pledged to ban tobacco advertising in Britain.

Ecclestone has been waging a counter-offensive, warning of the dire consequences for Europe of the loss of tobacco sponsorship.

"We have the right to cancel any [Formula One] race when the running of the race, for whatever reason, is put in danger," said Ecclestone, who is also a vice president of the international motor-racing federation, the FIA. "In a case where the sponsors would no longer get a decent return, we'd have to reconsider our schedule."

Top players make return to the Pyramids

Squash

The world's top players return to the sport's most spectacular setting today for the Al Ahram International championships in Cairo. Last year's inaugural event, staged on an open-air, illuminated court against the backdrop of the Pyramids, re-

sulted in unprecedented media attention which helped make it the sport's richest tournament. The event received even more attention when Egypt's top player, Ahmed Barada, today play, although the Australian is on course to play Barada again in the last eight. Scotland's Peter Nicol, the No 3 seed, is drawn to face Eyles in the semi-finals.

Eyles in straight games in the final by Jansher Khan who is favourite to retain his title. He is scheduled to meet Eyles in this year's final, although the Australian is on course to play Barada again in the last eight. Scotland's Peter Nicol, the No 3 seed, is drawn to face Eyles in the semi-finals.

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